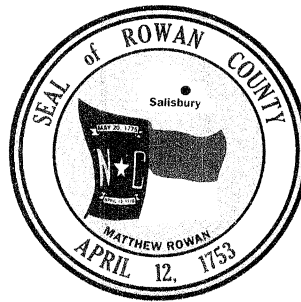

ROWAN COUNTY

North Carolina



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

ROWAN COUNTY

North Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

Prepared By

Finance Department

Leslie E. Heidrick, Finance Director



ROWAN COUNTY, NORTH CAROLINA
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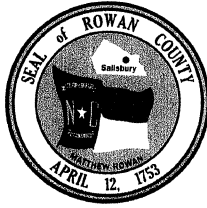
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INTRODUCTORY SECTION





November 20, 2012

To the Board of Commissioners and the
Citizens of Rowan County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, the annual financial report of Rowan County (the County) is hereby issued for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management, to provide a reasonable basis for making these representations, has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh the benefits, the County's internal control

structure has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Rowan County management asserts, to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

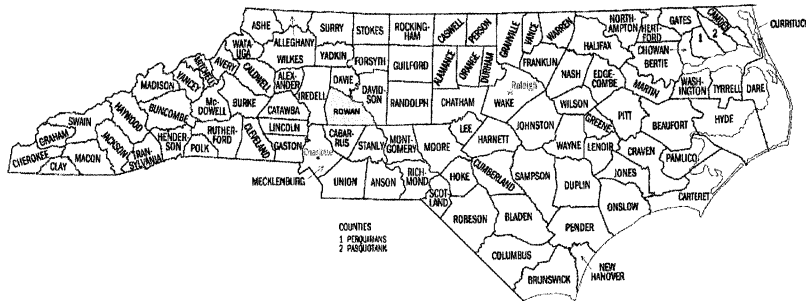
The County's financial statements have been audited by Martin Starnes & Associates, CPAs, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and State grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Results of the Single Audit can be found in the compliance section of this report.

The County is required to present a Management's Discussion and Analysis (MD&A) section as an introduction to the financial information. This section immediately follows the auditor's opinion and provides an overview and analysis of the County's significant transactions in fiscal year 2012. This letter of transmittal is written to complement the MD&A.

PROFILE OF ROWAN COUNTY

Rowan County was established in 1753 and is located in the southern piedmont section of the State. It occupies 511 square miles and lies approximately fifty miles southwest of Greensboro and forty-two miles northeast of Charlotte. The County's location offers quick access to international airports in each of these Cities. The County is bounded on the west by Iredell County, on the north by Davie and Davidson Counties, and on the south by Cabarrus and Stanly Counties.



The County's population of 138,359 ranks twentieth among the State's one hundred counties. Approximately 45 percent of the population resides within the borders of ten municipalities. The largest municipality located totally within the County is the City of Salisbury, with a population of 33,586. The other municipalities are China Grove, Cleveland, East Spencer, Faith, Granite Quarry, Kannapolis, Landis, Rockwell and Spencer. A unique mix of urban and rural areas and small towns distinguishes Rowan from other counties and provides something for every lifestyle.

The County operates under the Commission-Manager form of government. Policy-making and legislative authority are vested in a governing board consisting of five commissioners. The governing board is responsible for, among other things, approving ordinances, adopting a balanced budget, appointing committees, and hiring the County's manager, attorney and tax administrator. The board is elected on a partisan basis. Board members serve four-year staggered terms, with

new members (two or three) elected every two years. The County's manager serves at the pleasure of the board as the County's chief executive officer. The manager's responsibilities include carrying out the policies and ordinances of the governing board, overseeing the daily operations of the government, appointing the directors of the various departments, and submitting the annual budget to the board for consideration.

The County provides a wide range of services, such as public safety, human services, cultural and recreational activities, and general administrative services, as well as funds for education. Additionally, the County owns and operates an airport and landfill. This annual report includes all funds of the County, including all activities considered to be part of (controlled by or dependent on) the County.

The budget serves as the foundation for the County's financial planning and control. As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget for all governmental and proprietary operating funds, except those authorized by project ordinances that are multi-year in nature. The budget is prepared by fund, function (e.g., public safety) and department (e.g., law enforcement). The County's manager may transfer amounts between objects of expenditures and revenues within a fund without limitation. However, the governing board must approve transfers between funds and appropriations that increase or decrease a fund's total budget.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Rowan County's local economy has shown slow, consistent signs of improvement. More than 700 jobs were announced or created in the County during fiscal year 2012. Over the last four years, the number of employed citizens rebounded by approximately 2,300, regaining nearly half of the jobs lost during the difficult economic times. In addition, tourism spending in Rowan County increased 4.8 percent to about \$131 million during the fiscal year. Overall, the County's decade-high unemployment rate of 13.1 percent in fiscal year 2009 dropped to the

current rate of 10.3 percent. While the 2.8 percent decrease is significant, the local unemployment rate still remains about 4.0 percent higher than pre-recession rates.

The County will continue to pursue new business investments and expansion of current businesses with the expectation of continued positive economic trends in the near future. The following significant projects were announced, under construction or completed during fiscal year 2012:

- ◇ Duke Energy Carolinas – Construction of Duke Energy’s 620-megawatt natural gas-fired, combined-cycle plant at the existing Buck Steam Station has been completed. The \$680 million investment in the plant is the largest in the County’s history. Full operation of the new facility began in May. The Company has added 20 new employees at the facility.
- ◇ Hitachi Metals North Carolina – Hitachi has announced that it will invest approximately \$60 million over the next four years in a ferrite magnet manufacturing plant in China Grove, North Carolina. The Company will produce neodymium magnets engineered primarily for use in hybrid and electric vehicles. The China Grove plant will be the only location in the United States where this type of magnet is made. The expansion is expected to create 65 new jobs.
- ◇ Henkel Corporation – After completing construction of its \$23 million expansion last year, Henkel announced an additional \$10 million investment. The Company has filled over 70 percent of the 103 job positions created by the previous expansion. These jobs will pay an annual average wage of \$54,000. Headquartered in Germany, this Corporation operates worldwide, specializing in laundry, home and beauty care products as well as adhesive technologies.
- ◇ Ei, Incorporated – Ei manufactures prescription pharmaceutical and over-the-counter products. The Company will invest approximately \$13 million over the next three years to produce a new product line

for a North Carolina-based biomaterials company. The addition of the new product line will create 119 new jobs with an annual average wage of approximately \$41,000.

- ◇ Daimler Trucks North America (Freightliner) – In January, Daimler announced the re-establishment of a second shift at its Cleveland, North Carolina truck plant, adding 1,100 jobs by the end of 2012. The Company plans to fill a significant number of these positions with employees who were laid off in 2009. Combined with the Company’s recently installed military truck production line, approximately 2,000 employees will have returned to work. Daimler is the largest heavy-duty truck manufacturer in North America and a leading producer of medium-duty trucks and specialized commercial vehicles.
- ◇ Universal Forest Products – Universal, the nation’s leading manufacturer and distributor of wood and wood-alternative products to retail/dealer, site-built construction, manufactured housing and industrial markets, is in its second year of a three-year expansion plan. Universal purchased a 69,000 square-foot manufacturing facility as part of its \$2.6 million investment in an industrial packaging division. The Company plans to add approximately 50 jobs by the end of the three-year expansion.
- ◇ Courtyard by Marriott – Marriott hotels are designed to provide quality service at affordable prices for business and family travelers. Marriott is currently constructing a 95-bed hotel in Salisbury, North Carolina, conveniently located next to Interstate 85. The hotel will add approximately \$10 million to the County’s tax base, generate occupancy and sales taxes, and create full- and part-time jobs.

The County continues to work with existing industries to help maximize their success in Rowan County. County officials believe that this success attests to the stable and prosperous business environment offered by the County. The County’s unique combination of affordable land, accessible transportation and available infrastructure, combined with its history of innovative entrepreneurship, make Rowan County an attractive investment during these turbulent economic times.

Long-Term Planning

Rowan County has experienced the ripple effect from the State of North Carolina transitioning from textile and furniture manufacturing into other employment opportunities. Diversification has been one of the County's primary goals in the economic recruitment of industries, whereby no single industry dominates the job market and materially affects the County's economic future if it closes or relocates.

RowanWORKS was established by the County and municipalities to coordinate the recruitment of businesses and jobs to Rowan County. To provide guidance for this effort, the County has adopted a Land Use Plan. With an availability of sites, a well-trained workforce, a community college recognized nationally for its award-winning training programs, and local incentives, Rowan County is prepared to attract and assist industries seeking to locate to this region.

Capital Improvement Program

The primary goal of the Capital Improvement Program (CIP) is to ensure that the County is investing in infrastructure for a growing community and delivering quality services to Rowan County citizens in a timely and efficient manner. The County ensures effective and efficient service delivery through investments in renovations and new capital improvements that preserve the integrity of facilities, maintain the quality of current capital assets, and support new services when needed.

In May 2005, the Rowan County Board of Commissioners (Board) adopted an \$83.3 million CIP for fiscal years 2006 through 2015. Six million dollars of the Program is dedicated to the Rowan-Salisbury and Kannapolis School Systems. Additional school capital needs will continue to be evaluated. Other areas of capital needs approved in the CIP include the following: expansion of the County Airport (\$22.0 million), public safety improvements (\$20.7 million), consolidation of Social Services into a new facility (\$5.2 million), relocation of the County Fairgrounds (\$6.6 million), renovations to and expansion of library facilities (\$5.7 million), community college facilities (\$3.6 million), investments in parks (\$3.6 million), water and sewer projects (\$3.2 million), and a new central warehouse facility (\$1.9 million).

With two exceptions, the Board has traditionally met capital funding requirements through the use of existing revenues within the General Fund, primarily from the normal growth in the County's tax base. In North Carolina, counties are required by North Carolina General Statutes to provide adequate public school and judicial facilities. In these two areas, the Board must identify additional funds because the costs of these projects exceed the County's ability to absorb the required debt service.

In November 1993 and 2002, Rowan County citizens passed bond referenda in the amounts of \$44.0 million and \$76.9 million, respectively, to support the use of general obligation bonds for school construction. Five new schools were built and numerous renovations were completed. Citizens were informed on both occasions that passage of the referenda would lead to property tax rate increases. The citizens responded favorably to improving public school facilities.

In November 2009, Rowan County citizens voted to support a 0.25 percent local option sales and use tax referendum. Revenue from this tax is being used to support public safety improvements listed in the CIP. Two immediate capital needs include a satellite jail facility to house 160 inmates and an upgrade of emergency radio equipment used by all public safety agencies within the County.

On November 2, 2010, Rowan County citizens passed a \$12 million general obligation bond referendum to pay capital costs of providing facilities within the County for the Rowan-Cabarrus Community College. The passage of this referendum authorizes the County to incur the indebtedness and levy a tax for the payment of the bonds.

Relevant Financial Policies

Rowan County has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). As a result of the economic downturn, however, estimated General Fund revenues and other financing sources were less than appropriations and other financing uses (\$117.9 million v. \$124.8 million). In such cases, the policy allows for the appropriation of fund balance to close the gap. The amount necessary for this purpose in the original budget was \$6.9 million, which increased to \$8.5 million in the

final amended budget. However, thanks to conservative budgeting of revenues and to measures taken during the year to control expenditures, the County ultimately added \$0.8 million to fund balance for the year.

MAJOR INITIATIVES

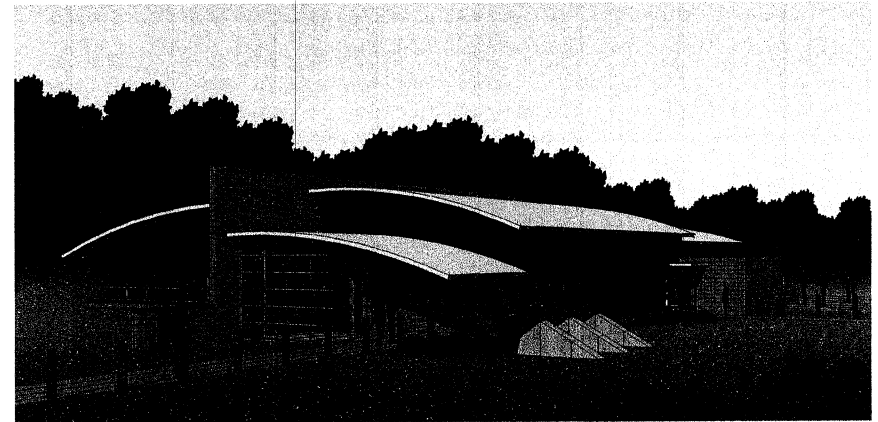
A joint resolution between Rowan County and the City of Kannapolis has formally dissolved the Rowan County-Kannapolis Regional Sports Authority. The Agency was created in 1994 to construct and manage a professional Class A baseball stadium located in the City of Kannapolis. The County sold the stadium to the City of Kannapolis for a \$3 million note receivable, payable over 50 years.

Construction of the Rowan County Satellite Jail was completed in June 2012. The satellite facility was needed to relieve overcrowding at the County's Detention Center. The 27,000 square foot minimum security facility will house 160 inmates in dormitory-style beds. The facility will also accommodate video visitation, offices and a kitchen. The cost of the project was \$6.4 million. Transfer of inmates to the new facility will begin in July 2012. The County also plans to house inmates from surrounding counties as capacity allows.



Rowan County Satellite Jail

The County's \$12 million Communications Project is underway. During fiscal year 2012, the County purchased 995 portable and mobile radios at a cost of \$3.4 million for public safety personnel. The County also entered into a contract with Motorola Solutions, Inc. to upgrade its base communications system and add additional tower sites and microwave systems as needed. The cost of the contract is \$5.1 million. Finally, construction of an 8,500 square foot E-911 facility has begun. The facility is expected to be completed in February 2013. Effective July 1, 2013, the City of Salisbury's communication services will be consolidated with the County's to improve efficiencies.



Architect Drawing of Rowan County E-911 Facility

The Rowan-Cabarrus Community College capital project, a \$12 million project funded by general obligation bonds, includes the construction of walkways, stairways and elevators; the construction and renovation of buildings for classrooms, laboratories, utilities and office space; and the relocation, expansion and improvement of fire training grounds. The following projects, with completion dates, have begun: construction of the new fire training center - June 2013; renovations to the auditorium - October 2013; consolidating of offices for business operations, human resources and the President's office - December 2013; and transformation of administrative space into classrooms - December 2013.

In addition to the \$12 million project, the College also received \$2 million in federal funding. The additional funds will be used to expand the allied health building by at least 27,000 square feet, expand health care programs and develop additional programs.

The improvements and expansions mentioned above will allow the College to better educate and train citizens for the local job market, while stimulating local economy through numerous construction jobs over a period of time.

An architect has been selected for the renovation of the Rowan County Health Department – Smile Center for Children dental clinic. The Center provides dental care primarily for families with Medicaid and Health Choice insurance. The primary focus group is children 2 to 18 years of age. Existing dental fixtures, equipment and medical gas utilities will be updated in the 2,029 square foot project area. The estimated cost of the project is \$270,000, which will be funded by grants and Medicaid escrow monies.

OTHER ACCOMPLISHMENTS

County schools, colleges and medical facilities continue to excel in educating citizens and providing quality healthcare:

- ✓ Salisbury High School, in the Rowan-Salisbury School System, has made the U.S. News & World Report annual list of Best High Schools for the fifth year in a row.
- ✓ Catawba College ranked 16th among the nation's Best Regional Colleges in the South according to the 2012 edition of "Best Colleges" published by the U.S. News & World Report.
- ✓ Rowan Regional Medical Center was named one of the nation's "Top Performers on Key Quality Measures" by The Joint Commission, the leading accreditor of health care organizations in America. The Center met required thresholds in the heart attack, heart failure, pneumonia and surgical care categories.

- ✓ Rowan Regional Medical Center was one of 60 hospitals nationwide named as "Hospitals with Great Orthopedic Programs" as awarded by Becker's Hospital Review, a national publication focused on healthcare services and management.
- ✓ The W.G. Hefner VA Medical Center recently added a 13,000 square foot state-of-the-art Cancer Center, providing an ever-broadening scope of medical care to veterans.

The *Carolina Field Trip* magazine named two Rowan County attractions in its 2011-2012 school year survey of North Carolina's most attended field trip destinations:

- ✓ The Lazy 5 Ranch was named the State's largest field trip attraction, offering more than 750 animals from all over the world. According to the survey, more than 126,000 students visited the North Carolina attraction. Lazy 5 Ranch offers a 3.5-mile tour by car or horse-drawn wagon.
- ✓ Dan Nicholas Park, located near Salisbury, North Carolina, was named the State's second largest field trip attraction with more than 120,800 visitors. The activities at this County-owned park include a petting zoo, nature center, train, gem mine, miniature golf course, paddle boats and camping sites.

The Rowan County Chamber of Commerce recruited more than 100 new members during their 2011 annual membership drive. The Chamber has been a part of the business community for over 85 years and offers to their members programs such as Business After Hours, Women in Business, Friday Forums, Speed Networking and use of the Business Resource Center.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rowan County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I appreciate the assistance and dedication of the Finance Department staff throughout the year, especially during the preparation of this report. I would like to thank the County's independent certified public accountants, Martin Starnes & Associates, CPAs, P.A., for their assistance and each County department for their cooperation as we work together to conduct the County's financial operations. I would also like to express my appreciation to the members of the Board of Commissioners and the County Manager for their continued support and guidance in planning and conducting the financial activities of the County in a responsible and progressive manner. The County's excellent financial status is a tribute to that involvement.

Respectfully submitted,

Leslie E. Heidrick

Leslie E. Heidrick
Finance Director

ROWAN COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
ELECTED AND DESIGNATED
June 30, 2012

Board of County Commissioners

Chairman	Chad Mitchell
Vice-Chairman	Carl Ford
Member	Jon Barber
Member	Raymond Coltrain
Member	Jim Sides

Other Elected Officials

Register of Deeds	Harry Welch
Sheriff	Kevin Auten

County Manager

Gary L. Page

Clerk to the Board

Carolyn Athey

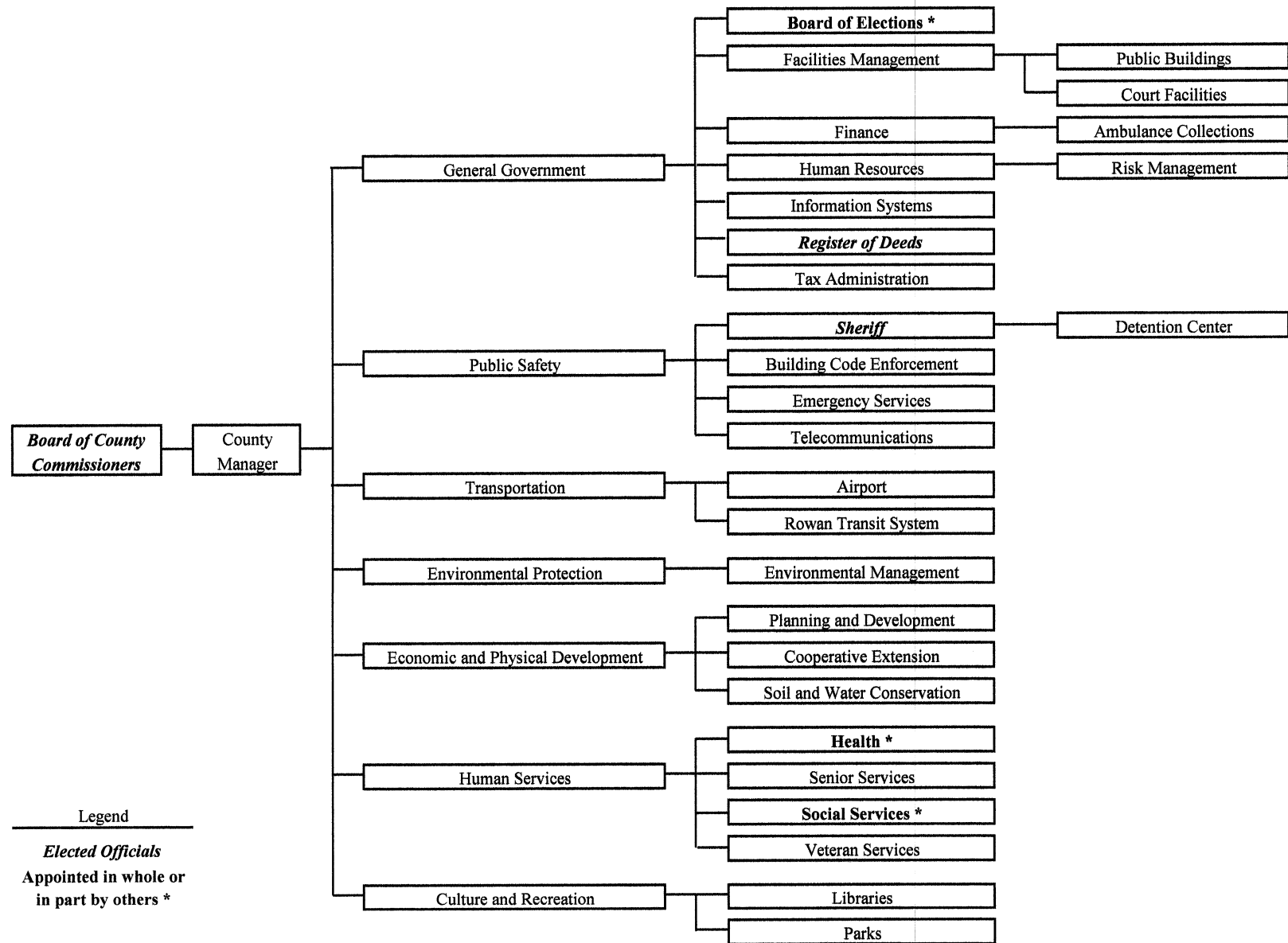
County Attorney

John W. "Jay" Dees, II

County Department Directors

Airport	Thad Howell
Board of Elections	Nancy Evans
Building Code Enforcement	Thomas O'Kelly (interim)
Cooperative Extension	Darrell Blackwelder
Emergency Services	Frank Thomason
Environmental Management	Kathryn Jolly
Facilities Management	Rick Ridenhour
Finance	Leslie Heidrick
Health	Leonard Wood
Human Resources	Darlene Boling
Information Systems	David Boling
Libraries	Jeff Hall
Parks	Don Bringle
Planning and Development	Ed Muire
Rowan Transit System	Gary Price
Social Services	Donna Fayko
Tax Administration	Gary L. Page (interim)
Telecommunications	Robert Robinson

ROWAN COUNTY, NORTH CAROLINA
ORGANIZATIONAL CHART
(FUNDED BY COUNTY)



Legend

Elected Officials
 Appointed in whole or
 in part by others *

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Rowan County
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

Jeffrey R. Enen

Executive Director

FINANCIAL SECTION



MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Rowan County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rowan County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2012, on our consideration of Rowan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Rowan County, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 19, 2012

ROWAN COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rowan County, North Carolina (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

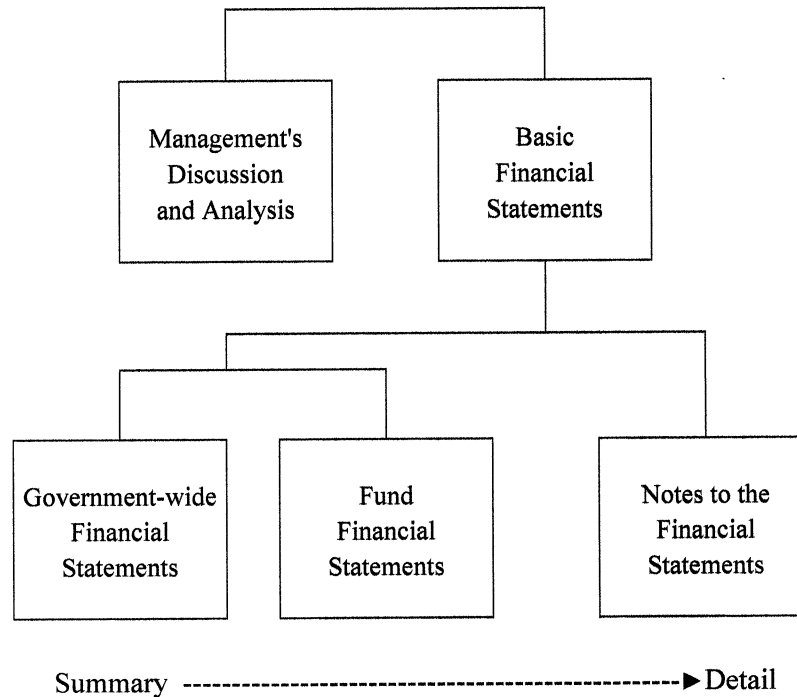
- On the government-wide statement of net assets, the assets of the County exceeded its liabilities at the close of the fiscal year by \$48.4 million (*net assets*). The County's net assets are impacted considerably by the debt the County has issued on behalf of the School Systems and Rowan-Cabarrus Community College to fund school capital outlay. Under North Carolina law, the County is responsible for providing capital funding for schools. The County has chosen to meet its legal obligation by issuing general obligation and installment purchase debt. The capital assets are funded by the County; however, they are titled to and utilized by the School Systems and Community College. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, the outstanding balance of school-related debt exceeded \$75.6 million.
- The County's total net assets increased by \$6.9 million, primarily due to the retirement of general obligation bonds issued for school capital needs.
- As of the close of the 2012 fiscal year, the County's governmental funds reported combined ending fund balances of \$59.9 million, after a net increase in fund balance of \$14.5 million. Approximately 45.9 percent of this total amount, or \$27.5 million, is not restricted or nonspendable.
- At the end of the 2012 fiscal year, total fund balance, available fund balance and unassigned fund balance for the General Fund were \$39.7 million, \$28.3 million and \$17.1 million, respectively. These fund balance amounts represent 31.2 percent, 22.2 percent and 13.4 percent of General Fund expenditures and transfers out.
- The County's general obligation and installment financing debt increased by \$10.0 million, or 11.3 percent, during the 2012 fiscal year. The key factor in this increase was the issuance of \$12.0 million of Community College general obligation bonds. The County also refunded \$17.8 million of its outstanding 2003 School Facility Serial Bonds, resulting in an economic gain of \$1.7 million.
- The County maintained its AA and Aa2 bond ratings from Fitch Ratings and Moody's Investors Service, respectively, for the second consecutive year and maintained its AA- bond rating from Standard and Poor's Corporation for the third consecutive year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. The statements provide both short and long-term information about the County's financial status, using the full-accrual basis of accounting in a manner similar to a private-sector business.

The two government-wide statements report the County's net assets and how they have changed. Net assets reported on the *statement of net assets* are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition. The *statement of activities* presents information showing how the County's net assets have changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The two government-wide statements are each divided into two categories: governmental activities and business-type activities. The governmental activities include most of the County's basic services such as education, human services, public safety, culture and recreation, and general government services. Property and other taxes, as well as State and federal grant funds, finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the aviation and landfill services offered by the County. The baseball stadium was sold during the fiscal year and recorded no normal activities other than depreciation of capital assets.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

The next statements within the basic financial statements are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government at a more detailed level than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statement; 3) the proprietary funds statements; and 4) the fiduciary funds statement.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. Governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. The relationship between government activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the variance between the final budget and the actual resources and charges.

Proprietary Funds - The County has four proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport activities, Landfill activities and for its stadium operations. These funds are the same as those separate activities shown in the business-type activities in the statement of net assets and the statement of activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an internal service fund to account for its risk management activity. Because this operation benefits both governmental and business-type activities, the internal service fund has been allocated between these activities in the government-wide financial statements.

Fiduciary Funds - The County has one type of fiduciary funds. *Agency Funds* are used to account for assets the County holds on behalf of others. The County has three agency funds that are used to account for monies held by the Rowan County Department of Social Services on behalf of clients, property taxes collected for and remitted to municipalities within the County, and fines and forfeitures, which includes the three percent interest on the first month of delinquent motor vehicle taxes and the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage, that are collected from citizens and disbursed to the School Systems, the North Carolina Department of Motor Vehicles or the State Treasurer as required by North Carolina law.

The fund financial statements are on Exhibits 3 through 9 of this report.

The final section of the basic financial statements is the **Notes to the Financial Statements**. The notes are essential to a full understanding of the data provided in the government-wide and fund financial statements because they explain in detail some of the data contained in those statements. The notes to the financial statements can be found on pages 2-37 through 2-89 of this report.

After the notes, this report presents certain required supplemental information concerning the County's progress in funding its obligation to provide pension benefits to law enforcement personnel and other postemployment benefits. The combining statements are then provided to show details about the County's major and non-major governmental funds, as well as enterprise, internal service and agency funds. Budgetary information required by the General Statutes also can be found in this part of the report. Finally, other schedules are provided to detail ad valorem tax information.

Government-wide Financial Analysis

Rowan County's Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 81,124,004	\$ 58,806,836	\$ 14,760,439	\$ 14,319,006	\$ 95,884,443	\$ 73,125,842
Capital assets	<u>65,953,933</u>	<u>62,721,611</u>	<u>10,674,288</u>	<u>14,447,441</u>	<u>76,628,221</u>	<u>77,169,052</u>
Total assets	<u>147,077,937</u>	<u>121,528,447</u>	<u>25,434,727</u>	<u>28,766,447</u>	<u>172,512,664</u>	<u>150,294,894</u>
Long-term liabilities outstanding	102,410,806	92,046,058	9,845,702	9,172,941	112,256,508	101,218,999
Other liabilities	<u>11,559,598</u>	<u>7,138,316</u>	<u>280,468</u>	<u>416,739</u>	<u>11,840,066</u>	<u>7,555,055</u>
Total liabilities	<u>113,970,404</u>	<u>99,184,374</u>	<u>10,126,170</u>	<u>9,589,680</u>	<u>124,096,574</u>	<u>108,774,054</u>
Net assets:						
Invested in capital assets, net of related debt	50,696,920	51,425,777	10,674,288	14,447,441	61,371,208	65,873,218
Restricted	13,511,006	11,227,361	-	-	13,511,006	11,227,361
Unrestricted	<u>(31,100,393)</u>	<u>(40,309,065)</u>	<u>4,634,269</u>	<u>4,729,326</u>	<u>(26,466,124)</u>	<u>(35,579,739)</u>
Total net assets	<u>\$ 33,107,533</u>	<u>\$ 22,344,073</u>	<u>\$ 15,308,557</u>	<u>\$ 19,176,767</u>	<u>\$ 48,416,090</u>	<u>\$ 41,520,840</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$48.4 million as of June 30, 2012. Net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets or deficit.

At June 30, 2012, the County's largest portion of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The amount reported as invested in capital assets decreased to \$61.4 million as of June 30, 2012, as compared to \$65.9 million at the end of the prior fiscal year.

The County's second largest category of net assets is restricted net assets. This category represents resources that are subject to specific external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Restricted net assets increased by \$2.3 million during fiscal year 2012 primarily due to an increase in stabilization by State statute.

The final category of net assets is unrestricted net assets or deficit. The balance of this category may be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2012, the unrestricted deficit of \$26.5 million was due primarily to the portion of the County's outstanding debt incurred for the Rowan-Salisbury and Kannapolis City Boards of Education and Rowan-Cabarrus Community College. Even though the debt was issued to finance school capital outlay, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it does not finance assets that are owned by the County. At June 30, 2012, \$75.6 million of the outstanding debt on the County's financial statements was related to assets included on the School Systems' and Community College's financial statements. Had this debt not been reported as a reduction of unrestricted net assets, the balance of unrestricted net assets would be \$49.1 million.

The impact of the inclusion of the School Systems' and Community College's debts, without the corresponding assets, was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage greater than 96.0 percent
- Continued low cost of debt due to the County's high bond ratings and the prevailing interest rate environment
- Management's implementation of measures to reduce expenditures, resulting in General Fund expenditures that were \$5.8 million, or 4.4 percent, under budget

Rowan County's Changes in Net Assets						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 12,764,910	\$ 12,400,656	\$ 5,671,283	\$ 6,216,717	\$ 18,436,193	\$ 18,617,373
Operating grants and contributions	22,904,458	23,538,020	276,959	274,217	23,181,417	23,812,237
Capital grants and contributions	1,934,998	2,827,808	1,103,426	118,912	3,038,424	2,946,720
General revenues:						
Property taxes	72,245,237	70,654,932	-	-	72,245,237	70,654,932
Local option sales taxes	17,168,167	16,523,502	-	-	17,168,167	16,523,502
Other taxes and licenses	1,043,580	1,092,853	-	-	1,043,580	1,092,853
Grants and contributions not restricted to specific programs	767,286	533,514	-	-	767,286	533,514
Donation of note receivable	3,000,000	-	(3,000,000)	-	-	-
Other	663,692	785,205	77,541	170,248	741,233	955,453
Total revenues	<u>132,492,328</u>	<u>128,356,490</u>	<u>4,129,209</u>	<u>6,780,094</u>	<u>136,621,537</u>	<u>135,136,584</u>

Continued on next page.

Rowan County's Changes in Net Assets (Continued)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses:						
General government	\$ 11,504,699	\$ 11,454,754	\$ -	\$ -	\$ 11,504,699	\$ 11,454,754
Public safety	29,950,922	26,373,591	-	-	29,950,922	26,373,591
Transportation	1,629,120	1,506,205	-	-	1,629,120	1,506,205
Economic and physical development	2,557,414	3,016,894	-	-	2,557,414	3,016,894
Human services	29,060,193	29,804,559	-	-	29,060,193	29,804,559
Culture and recreation	5,566,013	5,970,149	-	-	5,566,013	5,970,149
Education	38,209,037	39,728,353	-	-	38,209,037	39,728,353
Interest on long-term debt	3,251,470	3,885,914	-	-	3,251,470	3,885,914
Airport	-	-	1,393,384	1,410,283	1,393,384	1,410,283
Landfill	-	-	4,398,629	5,719,206	4,398,629	5,719,206
Sports Authority	-	-	<u>81,575</u>	<u>303,549</u>	<u>81,575</u>	<u>303,549</u>
Total expenses	<u>121,728,868</u>	<u>121,740,419</u>	<u>5,873,588</u>	<u>7,433,038</u>	<u>127,602,456</u>	<u>129,173,457</u>
Increase (decrease) in net assets before special item	10,763,460	6,616,071	(1,744,379)	(652,944)	9,019,081	5,963,127
Special item - loss on sale of baseball stadium	<u>-</u>	<u>-</u>	<u>(2,123,831)</u>	<u>-</u>	<u>(2,123,831)</u>	<u>-</u>
Increase (decrease) in net assets	10,763,460	6,616,071	(3,868,210)	(652,944)	6,895,250	5,963,127
Net assets, beginning of year	<u>22,344,073</u>	<u>15,727,912</u>	<u>19,176,767</u>	<u>19,829,711</u>	<u>41,520,840</u>	<u>35,557,623</u>
Net assets, end of year	<u>\$ 33,107,533</u>	<u>\$ 22,343,983</u>	<u>\$ 15,308,557</u>	<u>\$ 19,176,767</u>	<u>\$ 48,416,090</u>	<u>\$ 41,520,750</u>

Governmental activities. Governmental activities increased the County's net assets by \$10.8 million, accounting for 100.0 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Retirement of general obligation bonds issued for the school construction program. Because the School Systems, not the County, capitalize these construction costs, as debt is retired liabilities decrease without a corresponding decrease in assets.
- Receipt of a \$3.0 million note receivable from business-type activities upon closure of the Sports Authority Fund.

Business-type activities. Business-type activities decreased the County's net assets by \$3.9 million. Key elements of this decrease are as follows:

- Sale of the assets, principally the baseball stadium, of the Sports Authority Fund at a loss of \$2.1 million.
- Donation of a \$3.0 million note receivable to governmental activities upon closure of the Sports Authority Fund.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the County's fund balance available for appropriation in the General Fund was \$28.3 million and total fund balance was \$39.7 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. At fiscal year-end, available fund balance represented 22.2 percent of total General Fund expenditures and transfers out, while total fund balance represented 31.2 percent of that same amount. The County has an informal policy that available fund balance should equal or exceed 21.0 percent of General Fund expenditures and transfers out in order to meet the cash flow needs of the County and to react to unforeseen needs or opportunities.

At June 30, 2012, the governmental funds of the County reported a combined fund balance of \$59.9 million, an increase of \$14.5 million, or 31.9 percent, from the prior year. The primary reason for this increase is the receipt of \$12.0 million of general obligation bond proceeds for community college construction, that were offset by current year capital expenditures of only \$430,458.

General Fund Budgetary Highlights

The County revised the budget on several occasions during the 2012 fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted expenditures by \$7.4 million, a 6.0 percent increase. The majority of this increase occurred in the public safety function and was offset primarily by installment purchase debt proceeds.

Actual revenues and other financing sources exceeded the amounts projected in the final budget by \$3.6 million, or 2.5 percent, during the 2012 fiscal year. The favorable variance is mainly attributable to higher than expected property tax revenues. Both the County's tax levy and collection percentage exceeded budgeted expectations.

Actual expenditures and transfers out were \$5.8 million, or 4.4 percent, less than appropriations as of June 30, 2012. Within the human services function, unspent program funds contributed to this favorable variance.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Airport, Landfill and Sports Authority Funds at the end of the fiscal year amounted to \$899,693, \$4,279,807 and \$-0-, respectively. The Airport and Landfill Funds experienced increases in net assets of \$752,893 and \$670,821, respectively, during the current fiscal year. The net assets of the Sports Authority Fund decreased by \$5,205,406. Other factors concerning the finances of these Funds have already been addressed in the discussion of the County's financial highlights and business-type activities.

Capital Asset and Debt Administration

Capital Assets. The County's capital assets for its governmental and business-type activities as of June 30, 2012 total \$76.6 million (net of accumulated depreciation). These assets include land, buildings, other improvements, equipment, vehicles and construction in progress.

Major capital asset transactions during the year include:

- Addition of construction in progress on E-911 and satellite jail facilities
- Purchase of two ambulances, five vans and eight patrol cars for Emergency Services, Rowan Transit System and the Sheriff's Office, respectively
- Purchase of land in the runway protection zone at the County Airport
- Rehabilitation of the runway apron at the County Airport
- Purchase of a Caterpillar 826H compactor and a Mack GU713 roll-off truck for the County Landfill
- Sale of all capital assets, including the baseball stadium, in the Sports Authority Fund

Rowan County's Capital Assets (Net of Accumulated Depreciation)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 11,796,184	\$ 11,796,184	\$ 3,993,811	\$ 4,202,675	\$ 15,789,995	\$ 15,998,859
Buildings	33,098,867	33,568,300	2,999,368	7,282,558	36,098,235	40,850,858
Other improvements	9,436,624	10,104,073	1,966,949	1,553,943	11,403,573	11,658,016
Equipment	2,052,571	2,539,534	39,101	49,367	2,091,672	2,588,901
Vehicles and motorized equipment	2,103,158	2,173,347	1,675,059	1,358,898	3,778,217	3,532,245
Construction in progress	<u>7,466,529</u>	<u>2,540,173</u>	<u>-</u>	<u>-</u>	<u>7,466,529</u>	<u>2,540,173</u>
Total	<u>\$ 65,953,933</u>	<u>\$ 62,721,611</u>	<u>\$ 10,674,288</u>	<u>\$ 14,447,441</u>	<u>\$ 76,628,221</u>	<u>\$ 77,169,052</u>

Additional information on the County's capital assets can be found in Note 2.A.5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2012, the County's general obligation debt, secured by the full faith and credit of the County, totaled \$70.0 million. Installment financings totaled \$27.7 million. A summary of outstanding debt is shown below.

Rowan County's Outstanding Debt						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 70,030,525	\$ 65,130,877	\$ -	\$ -	\$ 70,030,525	\$ 65,130,877
Installment financing	27,705,734	22,652,122	-	-	27,705,734	22,652,122
Other	<u>4,674,547</u>	<u>4,263,059</u>	<u>9,845,702</u>	<u>9,172,941</u>	<u>14,520,249</u>	<u>13,436,000</u>
Total	<u>\$102,410,806</u>	<u>\$ 92,046,058</u>	<u>\$ 9,845,702</u>	<u>\$ 9,172,941</u>	<u>\$112,256,508</u>	<u>\$101,218,999</u>

The County's total long-term debt increased by \$11.0 million, or 10.9 percent, during the 2012 fiscal year. The increase is primarily due to the additions of \$12.0 million of general obligation bonds issued for community college capital needs and \$9.7 million in installment purchase debt issued for the purchase of communications equipment and the construction of an E-911 facility. These additions were partially offset by the retirement of \$7.8 million of general obligation bonds issued for school capital needs.

The County also issued general obligation bonds to refinance previously outstanding general obligation bonds reported in governmental activities. This refinancing was done to take advantage of favorable interest rates. The result is expected to be a decrease in future debt service payments of \$1.8 million, with an economic gain of \$1.7 million.

As mentioned in the financial highlights section of this document, Rowan County maintained its AA, Aa2 and AA- ratings from Fitch Ratings, Moody's Investor Services and Standard and Poor's Corporation, respectively. These bond ratings are a clear indication of the sound financial condition of Rowan County and are a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8.0 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is \$825,984,349. The County had no bonds authorized, but unissued, at June 30, 2012.

Additional information regarding the County's long-term debt can be found in Note 2.B.8 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in the County was 10.3 percent at June 30, 2012, compared with federal and State rates of 8.2 percent and 9.4 percent, respectively. The rate for Rowan County was 11.5 percent at end of the 2011 fiscal year.

- Retail sales in the County grew by approximately 3.9 percent during the 2012 fiscal year, with local option sales tax receipts exceeding budget by \$1.2 million by year-end.
- Interest rates are expected to remain at record low levels throughout fiscal year 2013.

These factors, as well as others, were considered when management prepared the County's budget ordinances for the 2013 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities

The County has approved a \$128.6 million General Fund budget for fiscal year 2013, which represents a \$3.8 million, or 3.0 percent, increase from the original budget adopted for the 2012 fiscal year. The property tax rate remains constant at 62.25 cents. Substantial increases in General Fund expenditures are budgeted primarily in the following areas: economic and physical development, public safety and transportation.

During the 2012 fiscal year, available fund balance in the General Fund decreased to \$28.3 million. The County has appropriated \$7.0 million of this amount for spending in the 2013 fiscal year budget. It is intended that the use of available fund balance will avoid the need to raise charges for services during the 2013 fiscal year.

Business-type Activities

In the Airport function, the County budgeted a 9.2 percent and 6.5 percent decrease in charges for services and operations expenditures, respectively, primarily due to an anticipated lower cost of fuel. The County also budgeted \$1.3 million in State grants for land acquisition in the runway protection zone, installation of security fencing and other capital improvements.

In the Landfill function, charges for services are budgeted to decrease by 4.6 percent due to an anticipated decrease in solid waste tonnage. This decrease is offset by a corresponding decrease in Landfill operations expenditures.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Director of Finance, Rowan County, 130 West Innes Street, Salisbury, NC 28144. You can also call 704-216-8170 or visit our website at www.rowancountync.gov for more information.



Basic Financial Statements

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2012

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 42,628,573	\$ 13,883,340	\$ 56,511,913
Receivables (net)	10,979,579	685,538	11,665,117
Due from other governments	4,757,552	519,529	5,277,081
Inventories	54,544	217,263	271,807
Notes receivable	3,000,000	-	3,000,000
Internal balances	545,231	(545,231)	-
Restricted cash and cash equivalents	18,846,952	-	18,846,952
Bond issuance costs	311,573	-	311,573
Capital assets:			
Land and construction in progress	19,262,713	3,993,811	23,256,524
Other capital assets (net of accumulated depreciation)	46,691,220	6,680,477	53,371,697
Total assets	147,077,937	25,434,727	172,512,664

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2012

EXHIBIT 1 (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued liabilities	\$ 10,448,450	\$ 280,468	\$ 10,728,918
Unearned revenue	250,897	-	250,897
Accrued interest payable	860,251	-	860,251
Long-term liabilities:			
Due within one year	13,514,809	38,060	13,552,869
Due in more than one year	88,895,997	9,807,642	98,703,639
Total liabilities	113,970,404	10,126,170	124,096,574
NET ASSETS			
Invested in capital assets, net of related debt	50,696,920	10,674,288	61,371,208
Restricted:			
Stabilization by State statute	11,592,274	-	11,592,274
Emergency telephone	1,263,746	-	1,263,746
Law enforcement	11,389	-	11,389
Register of deeds	49,381	-	49,381
School capital	594,216	-	594,216
Unrestricted (deficit)	(31,100,393)	4,634,269	(26,466,124)
Total net assets	\$ 33,107,533	\$ 15,308,557	\$ 48,416,090

The notes to the financial statements are an integral part of this statement.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

EXHIBIT 2

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 11,504,699	\$ 1,468,482	\$ 232,442	\$ -	\$ (9,803,775)	\$ -	\$ (9,803,775)
Public safety	29,950,922	9,244,921	1,503,417	-	(19,202,584)	-	(19,202,584)
Transportation	1,629,120	110,547	1,333,089	230,695	45,211	-	45,211
Economic and physical development	2,557,414	75,050	193,273	-	(2,289,091)	-	(2,289,091)
Human services	29,060,193	323,800	19,352,255	-	(9,384,138)	-	(9,384,138)
Culture and recreation	5,566,013	1,542,110	278,304	4,303	(3,741,296)	-	(3,741,296)
Education	38,209,037	-	11,678	1,700,000	(36,497,359)	-	(36,497,359)
Interest on long-term debt	3,251,470	-	-	-	(3,251,470)	-	(3,251,470)
Total governmental activities	121,728,868	12,764,910	22,904,458	1,934,998	(84,124,502)	-	(84,124,502)
Business-type activities:							
Airport	1,393,384	1,036,532	-	1,103,426	-	746,574	746,574
Landfill	4,398,629	4,634,751	276,959	-	-	513,081	513,081
Sports Authority	81,575	-	-	-	-	(81,575)	(81,575)
Total business-type activities	5,873,588	5,671,283	276,959	1,103,426	-	1,178,080	1,178,080
Total primary government	\$ 127,602,456	\$ 18,436,193	\$ 23,181,417	\$ 3,038,424	(84,124,502)	1,178,080	(82,946,422)

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

EXHIBIT 2 (Continued)

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
General revenues:			
Taxes:			
Property taxes, levied for general purpose	\$ 72,245,237	\$ -	\$ 72,245,237
Local option sales taxes	17,168,167	-	17,168,167
Other taxes and licenses	1,043,580	-	1,043,580
Grants and contributions not restricted to specific programs	767,286	-	767,286
Investment earnings, unrestricted	354,519	77,541	432,060
Donation of note receivable	3,000,000	(3,000,000)	-
Miscellaneous, unrestricted	309,173	-	309,173
Total general revenues excluding special item	94,887,962	(2,922,459)	91,965,503
<i>Special item</i> - Loss on sale of baseball stadium	-	(2,123,831)	(2,123,831)
Total general revenues and special item	94,887,962	(5,046,290)	89,841,672
Change in net assets	10,763,460	(3,868,210)	6,895,250
Net assets, beginning of year, July 1	22,344,073	19,176,767	41,520,840
Net assets, end of year, June 30	\$ 33,107,533	\$ 15,308,557	\$ 48,416,090

The notes to the financial statements are an integral part of this statement.

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

EXHIBIT 3

	Major		Nonmajor	
	General	RCCC Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	Fund			
ASSETS				
Cash and cash equivalents	\$ 37,760,556	\$ -	\$ 2,549,132	\$ 40,309,688
Restricted cash	24,065	11,967,786	6,855,101	18,846,952
Receivables (net)	10,665,649	-	267,897	10,933,546
Due from other funds	151,316	-	-	151,316
Due from other governments	4,556,018	-	201,534	4,757,552
Inventories	54,544	-	-	54,544
Notes receivable	3,000,000	-	-	3,000,000
Total assets	<u>\$ 56,212,148</u>	<u>\$ 11,967,786</u>	<u>\$ 9,873,664</u>	<u>\$ 78,053,598</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 8,649,913	\$ 108,343	\$ 873,808	\$ 9,632,064
Due to other funds	-	-	151,316	151,316
Contract retainage	-	8,327	290,988	299,315
Unearned revenue	247,429	-	3,468	250,897
Deferred revenue	7,570,005	-	262,960	7,832,965
Total liabilities	<u>16,467,347</u>	<u>116,670</u>	<u>1,582,540</u>	<u>18,166,557</u>

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

EXHIBIT 3 (Continued)

	Major		Nonmajor	Total
	General	RCCC Facilities Capital Projects Fund	Other Governmental Funds	Governmental Funds
	Fund			
Fund balances:				
Nonspendable:				
Inventories	\$ 54,544	\$ -	\$ -	\$ 54,544
Restricted:				
Stabilization by State statute	11,385,803	-	206,471	11,592,274
Emergency telephone	-	-	1,263,746	1,263,746
Future capital projects	-	-	6,855,101	6,855,101
Law enforcement	11,389	-	-	11,389
Register of Deeds	49,381	-	-	49,381
School capital	594,216	11,967,786	-	12,562,002
Committed:				
Future capital projects	1,615,688	-	-	1,615,688
Tax revaluation	24,065	-	-	24,065
Assigned:				
Subsequent year's expenditures	6,979,403	-	-	6,979,403
Agricultural extension	62,784	-	-	62,784
Future capital projects	-	-	1,213,435	1,213,435
Health	926,482	-	-	926,482
Law enforcement	468,532	-	-	468,532
Libraries	15,650	-	-	15,650
Recreation	325,453	-	-	325,453
Social services	138,555	-	-	138,555
Unassigned	17,092,856	(116,670)	(1,247,629)	15,728,557
Total fund balances	<u>39,744,801</u>	<u>11,851,116</u>	<u>8,291,124</u>	<u>59,887,041</u>
Total liabilities and fund balances	<u>\$ 56,212,148</u>	<u>\$ 11,967,786</u>	<u>\$ 9,873,664</u>	<u>\$ 78,053,598</u>

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

EXHIBIT 3 (Continued)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (EXHIBIT 1) ARE
DIFFERENT BECAUSE:

Total fund balances - governmental funds	\$ 59,887,041
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,953,933
Liabilities for earned but deferred revenues in fund statements	7,832,965
An internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of this internal service fund are included in governmental activities in the statement of net assets.	1,847,847
Internal balances due from business-type activities to governmental activities	545,231
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(102,959,484)</u>
Net assets of governmental activities	<u>\$ 33,107,533</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012

	Major		Nonmajor	Total
	General	RCCC Facilities	Other	Total
	Fund	Capital	Governmental	Governmental
		Projects Fund	Funds	Funds
REVENUES:				
Ad valorem taxes	\$ 71,973,715	\$ -	\$ 4,050,115	\$ 76,023,830
Local option sales taxes	17,168,167	-	-	17,168,167
Other taxes and licenses	1,043,580	-	-	1,043,580
Unrestricted intergovernmental	748,105	-	-	748,105
Restricted intergovernmental	25,025,109	-	688,875	25,713,984
Permits and fees	1,049,249	-	-	1,049,249
Sales and services	6,205,245	-	-	6,205,245
Investment earnings	335,496	11,678	12,005	359,179
Miscellaneous	612,103	-	16,656	628,759
Total revenues	124,160,769	11,678	4,767,651	128,940,098
EXPENDITURES:				
Current:				
General government	9,552,442	-	-	9,552,442
Public safety	25,125,473	-	4,935,911	30,061,384
Transportation	1,695,186	-	-	1,695,186
Economic and physical development	1,711,601	-	161,738	1,873,339
Human services	28,907,708	-	-	28,907,708
Culture and recreation	5,186,716	-	-	5,186,716
Intergovernmental:				
Education	37,750,617	-	-	37,750,617
Capital outlay	-	458,420	4,926,356	5,384,776

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT 4 (Continued)****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS****For the Fiscal Year Ended June 30, 2012**

	Major		Nonmajor	Total
	General	RCCC Facilities Capital Projects Fund	Other Governmental Funds	Governmental Funds
	Fund			
EXPENDITURES (Continued):				
Debt service:				
Principal retirement	\$ 12,426,388	\$ -	\$ -	\$ 12,426,388
Interest and other charges	3,552,158	-	-	3,552,158
Total expenditures	125,908,289	458,420	10,024,005	136,390,714
Deficiency of revenues over expenditures	(1,747,520)	(446,742)	(5,256,354)	(7,450,616)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	935,000	935,000
Transfers to other funds	(1,560,000)	-	-	(1,560,000)
General obligation bonds issued	-	12,000,000	-	12,000,000
Refunding bonds issued	17,990,000	-	-	17,990,000
Installment purchase obligations issued	3,300,000	-	6,400,000	9,700,000
Premium on bonds issued	567,699	-	-	567,699
Premium on refunding bonds issued	1,271,649	-	-	1,271,649
Payment to refunded bond escrow agent	(19,170,513)	-	-	(19,170,513)
Sale of capital assets	182,954	-	-	182,954
Total other financing sources (uses)	2,581,789	12,000,000	7,335,000	21,916,789
Net change in fund balances	834,269	11,553,258	2,078,646	14,466,173
FUND BALANCES:				
Beginning of year, July 1	38,905,139	297,858	6,212,478	45,415,475
Increase in inventories	5,393	-	-	5,393
End of year, June 30	\$ 39,744,801	\$ 11,851,116	\$ 8,291,124	\$ 59,887,041

The notes to the financial statements are an integral part of this statement.

Continued on next page.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (EXHIBIT 2) ARE DIFFERENT BECAUSE:

Net change in fund balances - total governmental funds	\$ 14,466,173
Change in fund balance due to change in reserve for inventory	5,393
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,245,848
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(13,526)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,626,781
The receipt of principal payments on notes receivable provides current financial resources in the governmental funds. However, these transactions have no effect on net assets.	(498,755)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(9,839,361)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(203,886)
Net expense of internal service fund determined to be governmental-type.	<u>(25,207)</u>
Total change in net assets of governmental activities	<u>\$ 10,763,460</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 69,623,705	\$ 70,188,705	\$ 71,973,715	\$ 1,785,010
Local option sales taxes	16,000,000	16,000,000	17,168,167	1,168,167
Other taxes and licenses	1,049,000	1,079,000	1,043,580	(35,420)
Unrestricted intergovernmental	565,000	565,000	748,105	183,105
Restricted intergovernmental	22,075,449	25,160,999	25,025,109	(135,890)
Permits and fees	1,042,020	1,072,020	1,049,249	(22,771)
Sales and services	6,339,077	5,842,380	6,205,245	362,865
Investment earnings	250,050	250,057	335,496	85,439
Miscellaneous	528,458	563,944	612,103	48,159
Total revenues	117,472,759	120,722,105	124,160,769	3,438,664
EXPENDITURES:				
Current:				
General government	9,888,734	10,549,765	9,552,442	997,323
Public safety	21,026,559	26,137,065	25,125,473	1,011,592
Transportation	1,399,338	2,029,332	1,695,186	334,146
Economic and physical development	2,080,524	2,220,896	1,711,601	509,295
Human services	29,496,797	31,155,135	28,907,708	2,247,427
Culture and recreation	5,332,882	5,604,161	5,186,716	417,445
Intergovernmental:				
Education	37,974,901	37,974,901	37,750,617	224,284

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT 5 (Continued)****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****GENERAL FUND****For the Fiscal Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
EXPENDITURES (Continued):				
Debt service:				
Principal retirement	\$ 12,781,491	\$ 12,426,391	\$ 12,426,388	\$ 3
Interest and other charges	4,242,296	3,570,499	3,552,158	18,341
Total expenditures	<u>124,223,522</u>	<u>131,668,145</u>	<u>125,908,289</u>	<u>5,759,856</u>
Revenues under expenditures	<u>(6,750,763)</u>	<u>(10,946,040)</u>	<u>(1,747,520)</u>	<u>9,198,520</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(625,000)	(1,560,000)	(1,560,000)	-
Installment purchase obligations issued	425,000	3,300,000	3,300,000	-
Refunding bonds issued	-	17,990,000	17,990,000	-
Premium on refunding bonds issued	-	1,271,649	1,271,649	-
Premium on bonds issued	-	567,699	567,699	-
General obligation bonds issued	-	(19,170,513)	(19,170,513)	-
Sale of capital assets	-	-	182,954	182,954
Total other financing sources (uses)	<u>(200,000)</u>	<u>2,398,835</u>	<u>2,581,789</u>	<u>182,954</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(6,950,763)</u>	<u>(8,547,205)</u>	<u>834,269</u>	<u>9,381,474</u>
APPROPRIATED FUND BALANCE	<u>6,950,763</u>	<u>8,547,205</u>	<u>-</u>	<u>(8,547,205)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>834,269</u>	<u>\$ 834,269</u>
FUND BALANCE:				
Beginning of year, July 1			38,905,139	
Increase in inventories			<u>5,393</u>	
End of year, June 30			<u>\$ 39,744,801</u>	

The notes to the financial statements are an integral part of this statement.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

EXHIBIT 6

	Major		Nonmajor		Internal
	Airport	Landfill	Sports		Service Fund
	Fund	Fund	Authority	Total	Risk
			Fund		Management
					Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 319,246	\$ 13,564,094	\$ -	\$ 13,883,340	\$ 2,318,885
Receivables (net)	2,183	683,355	-	685,538	46,033
Due from other governments	450,534	68,995	-	519,529	-
Inventories	217,263	-	-	217,263	-
Total current assets	989,226	14,316,444	-	15,305,670	2,364,918
Noncurrent assets:					
Capital assets (net, where applicable, of accumulated depreciation)	6,422,920	4,251,368	-	10,674,288	-
Total assets	7,412,146	18,567,812	-	25,979,958	2,364,918
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	63,887	216,581	-	280,468	16,837
Claims payable	-	-	-	-	500,234
Compensated absences	3,476	34,584	-	38,060	-
Total current liabilities	67,363	251,165	-	318,528	517,071
Noncurrent liabilities:					
Accrued landfill closure and postclosure care costs	-	9,635,216	-	9,635,216	-
Compensated absences	5,781	41,858	-	47,639	-
Other postemployment benefits	16,389	108,398	-	124,787	-
Total noncurrent liabilities	22,170	9,785,472	-	9,807,642	-
Total liabilities	89,533	10,036,637	-	10,126,170	517,071

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

EXHIBIT 6 (Continued)

	<u>Major</u>		<u>Nonmajor</u>		<u>Internal</u>
	<u>Airport</u>	<u>Landfill</u>	<u>Sports</u>		<u>Service Fund</u>
	<u>Fund</u>	<u>Fund</u>	<u>Authority</u>	<u>Total</u>	<u>Risk</u>
			<u>Fund</u>		<u>Management</u>
					<u>Fund</u>
NET ASSETS					
Invested in capital assets	\$ 6,422,920	\$ 4,251,368	\$ -	\$ 10,674,288	\$ -
Unrestricted	<u>899,693</u>	<u>4,279,807</u>	<u>-</u>	<u>5,179,500</u>	<u>1,847,847</u>
Total net assets	<u>\$ 7,322,613</u>	<u>\$ 8,531,175</u>	<u>\$ -</u>	15,853,788	<u>\$ 1,847,847</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(545,231)</u>	
Net assets of business-type activities				<u>\$ 15,308,557</u>	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Major		Nonmajor		Internal Service Fund
	Airport Fund	Landfill Fund	Sports Authority Fund	Total	Risk Management Fund
OPERATING REVENUES:					
Charges for services	\$ 1,036,532	\$ 4,634,751	\$ -	\$ 5,671,283	\$ 894,003
OPERATING EXPENSES:					
Administration	-	-	-	-	128,962
Airport operations	1,046,326	-	-	1,046,326	-
Landfill operations	-	2,906,266	-	2,906,266	-
Sports Authority operations	-	-	-	-	-
Premiums and claims	-	-	-	-	1,751,149
Landfill closure and postclosure care costs	-	647,561	-	647,561	-
Depreciation	341,269	764,073	81,575	1,186,917	-
Total operating expenses	1,387,595	4,317,900	81,575	5,787,070	1,880,111
Operating loss	(351,063)	316,851	(81,575)	(115,787)	(986,108)
NONOPERATING REVENUES (EXPENSES):					
Solid waste disposal tax	-	63,300	-	63,300	-
Scrap tire disposal tax	-	170,334	-	170,334	-
White goods disposal tax	-	43,325	-	43,325	-
Investment earnings	530	77,011	-	77,541	23,265
Insurance settlements	-	-	-	-	226,118
Donation of note receivable	-	-	(3,000,000)	(3,000,000)	-
Total nonoperating revenues (expenses)	530	353,970	(3,000,000)	(2,645,500)	249,383

The notes to the financial statements are an integral part of this statement.

Continued on next page.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Major		Nonmajor		Internal
	Airport	Landfill	Sports		Service Fund
	Fund	Fund	Authority	Total	Risk
			Fund		Management
					Fund
Income (loss) before contributions, special item and transfers	\$ (350,533)	\$ 670,821	\$ (3,081,575)	\$ (2,761,287)	\$ (736,725)
CAPITAL CONTRIBUTIONS	1,103,426	-	-	1,103,426	-
SPECIAL ITEM - LOSS ON SALE OF BASEBALL STADIUM	-	-	(2,123,831)	(2,123,831)	-
TRANSFERS FROM OTHER FUNDS	-	-	-	-	625,000
Change in net assets	752,893	670,821	(5,205,406)	(3,781,692)	(111,725)
TOTAL NET ASSETS:					
Beginning of year, July 1	6,569,720	7,860,354	5,205,406		1,959,572
End of year, June 30	\$ 7,322,613	\$ 8,531,175	\$ -		\$ 1,847,847
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(86,518)	
Change in net assets - business-type activities				\$ (3,868,210)	

The notes to the financial statements are an integral part of this statement.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT 8

	Major		Nonmajor		Internal
	Airport	Landfill	Sports	Total	Service Fund
	Fund	Fund	Authority		Risk
			Fund		Management
					Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 1,042,115	\$ 4,535,513	\$ 38,300	\$ 5,615,928	\$ 847,970
Cash paid for goods and services	(817,694)	(1,489,515)	(36,381)	(2,343,590)	(1,632,652)
Cash paid to employees for services	(214,010)	(1,495,882)	-	(1,709,892)	(70,205)
Net cash provided (used) by operating activities	10,411	1,550,116	1,919	1,562,446	(854,887)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	-	-	625,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(1,322,947)	(901,234)	-	(2,224,181)	-
Payment for disposal of capital assets	-	-	(313,414)	(313,414)	-
Proceeds from insurance settlements	-	-	-	-	226,118
Capital contributions - grant revenues	771,804	-	-	771,804	-
Capital contributions - tax revenues	-	276,041	-	276,041	-
Net cash provided (used) by capital and related financing activities	(551,143)	(625,193)	(313,414)	(1,489,750)	226,118
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	530	77,011	-	77,541	23,265
Net increase (decrease) in cash and investments	(540,202)	1,001,934	(311,495)	150,237	19,496
CASH AND CASH EQUIVALENTS, July 1	859,448	12,562,160	311,495	13,733,103	2,299,389
CASH AND CASH EQUIVALENTS, June 30	\$ 319,246	\$ 13,564,094	\$ -	\$ 13,883,340	\$ 2,318,885

The notes to the financial statements are an integral part of this statement.

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT 8 (Continued)

	Major		Nonmajor		Internal
	Airport	Landfill	Sports	Total	Service Fund
	Fund	Fund	Authority		Risk
			Fund		Management
					Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	<u>\$ (351,063)</u>	<u>\$ 316,851</u>	<u>\$ (81,575)</u>	<u>\$ (115,787)</u>	<u>\$ (986,108)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	341,269	764,073	81,575	1,186,917	-
Landfill closure and postclosure care costs	-	647,561	-	647,561	-
Changes in assets and liabilities:					
Decrease (increase) in receivables (net)	5,583	(99,238)	38,300	(55,355)	(46,033)
Decrease in inventory	10,180	-	-	10,180	-
Increase (decrease) in accounts payable and accrued liabilities	(108)	(99,781)	(36,381)	(136,270)	6,087
Increase in claims payable	-	-	-	-	171,167
Increase in compensated absences payable	2,037	1,283	-	3,320	-
Increase in other postemployment benefits payable	2,513	19,367	-	21,880	-
Total adjustments	<u>361,474</u>	<u>1,233,265</u>	<u>83,494</u>	<u>1,678,233</u>	<u>131,221</u>
Net cash provided (used) by operating activities	<u>\$ 10,411</u>	<u>\$ 1,550,116</u>	<u>\$ 1,919</u>	<u>\$ 1,562,446</u>	<u>\$ (854,887)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Loss on sale of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,810,417)</u>	<u>\$ (1,810,417)</u>	<u>\$ -</u>
Donation of note receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,000,000)</u>	<u>\$ (3,000,000)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

EXHIBIT 9

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 350,510
Accounts receivable	<u>96,378</u>
 Total assets	 <u><u>\$ 446,888</u></u>
 LIABILITIES	
Intergovernmental payables:	
Rowan-Salisbury Schools	\$ 91,893
Kannapolis City Schools	5,575
State of North Carolina	12,559
Rowan County Municipalities	307,500
Miscellaneous liabilities	<u>29,361</u>
 Total liabilities	 <u><u>\$ 446,888</u></u>

The notes to the financial statements are an integral part of this statement.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rowan County, North Carolina (the County) and its component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The Rowan County Industrial Facilities and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Rowan County Industrial Facilities and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the County Commissioners. The County can remove any member with or without cause.	None issued

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

RCCC Facilities Capital Projects Fund. This fund accounts for funds used in the planning, design and construction of capital improvements on the North Campus of Rowan-Cabarrus Community College.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation (Continued)

The County reports the following major enterprise funds:

Airport Fund. This fund accounts for the operations, maintenance and development of the Rowan County Airport.

Landfill Fund. This fund accounts for the operation, maintenance and development of the County's Landfill and disposal sites.

The County reports the following fund types:

Internal Service Fund. Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis. The County has one internal service fund, the Risk Management Fund.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Rowan-Salisbury and Kannapolis City Boards of Education, the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles, and the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage that the County is required to remit to the State Treasurer on a monthly basis; and the Municipal Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities within the County.

Nonmajor Funds. The County maintains seven legally budgeted nonmajor funds. The Community Development Fund, the Emergency Telephone System Fund and the Fire District Fund are reported as nonmajor special revenue funds. The Communications Capital Projects Fund, the RDH Water Capital Projects Fund and the Satellite Jail Capital Projects Fund are reported as nonmajor capital projects funds. The Sports Authority Fund is reported as a nonmajor enterprise fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

Measurement Focus, Basis of Accounting (Continued)

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rowan County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System and Fire District Special Revenue Funds, the Enterprise Funds and the Internal Service Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Community Development Special Revenue Fund and the Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The County Manager is authorized by the budget ordinance to transfer appropriations within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities and Fund Equity

1. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by North Carolina General Statute 159-31. The County may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

2. Cash and Cash Equivalents

The County pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended bond and installment purchase loan proceeds are classified as restricted assets within the Communications, RCCC Facilities and Satellite Jail Capital Projects Funds because their use is completely restricted to the purpose for which the bonds and loans were originally issued. Unspent money allocated for tax revaluation is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

The inventories of the County are valued at cost, which approximates market, using the first-in, first-out method. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

7. Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The minimum capitalization cost is \$5,000 for all capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Rowan-Salisbury Board of Education and Rowan-Cabarrus Community College properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education and Community College give the Board of Education and Community College full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education and Community College, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Rowan-Salisbury Board of Education and the Rowan-Cabarrus Community College.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	
Office and other	30-50
Sports Authority stadium	40
Airport hangars	25
Recycling centers	15
Land improvements	10-15
Machinery and equipment	5-10
Furniture and fixtures	7
Computer software	7
Vehicles and motorized equipment	5
Computer equipment	3

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

9. Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statute.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

11. Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance: This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for stabilization of State statute – portion of fund balance that is restricted by State statute [G.S. 159-8(a)].

Restricted for emergency telephone – portion of fund balance that is restricted for expenditures to enhance the State's 911 system.

Restricted for future capital projects – portion of fund balance that is restricted by revenue source for future capital projects.

Restricted for law enforcement – portion of fund balance that is restricted by revenue source for law enforcement expenditures [G.S. 105-113.105].

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for automation enhancement improvements in the Register of Deeds' office.

Restricted for school capital – portion of fund balance that is restricted by revenue source for school capital expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

11. Fund Balances (Continued)

Committed Fund Balance: Portion of fund balance that can only be used for the specific purposes determined by formal action of the government's highest level of decision-making authority (the County Board of Commissioners). The County Board of Commissioners can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.

Committed for future capital projects – portion of fund balance committed by the governing body for future capital projects

Committed for tax revaluation – portion of fund balance that can only be used for tax revaluation

Assigned Fund Balance: portion of fund balance that the County's governing body has budgeted.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Budget Officer to transfer appropriations within a fund, except from a contingency appropriation.

Assigned for agricultural extension – portion of fund balance that has been budgeted by the governing body for agricultural extension expenditures.

Assigned for future capital projects – portion of fund balance that has been budgeted by the governing body for future capital projects.

Assigned for health – portion of fund balance that has been budgeted by the governing body for Health Department expenditures.

Assigned for law enforcement – portion of fund balance that has been budgeted by the governing body for law enforcement expenditures.

Assigned for libraries – portion of fund balance that has been budgeted by the governing body for library expenditures.

Assigned for recreation – portion of fund balance that has been budgeted by the governing body for recreation expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

11. Fund Balances (Continued)

Assigned for social services – portion of fund balance that has been budgeted by the governing body for Department of Social Services' expenditures.

Unassigned Fund Balance: Portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds.

The County has an informal revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond or installment purchase proceeds, federal funds, State funds, local non-County funds and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director has the authority to deviate from this informal policy if it is in the best interest of the County or when required by grant or other contractual agreements.

The County also has an informal fund balance policy for the General Fund that instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 21.0 percent of budgeted expenditures and transfers out. Any portion of the General Fund balance in excess of 21.0 percent may be appropriated for any purpose.

E. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of the differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$26,779,508 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	\$ 111,544,979
Less accumulated depreciation	<u>(45,591,046)</u>
Net capital assets	<u>65,953,933</u>
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	<u>7,832,965</u>
Net assets of the internal service fund, incorporated into the government-wide statements, are not recorded in the governmental funds statements.	<u>1,847,847</u>
Internal balances due from business-type activities to governmental activities recorded in the government-wide statements are not recorded in the body of the governmental funds statements.	<u>545,231</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financings	(99,783,743)
Deferred charge on refunding (to be amortized as interest expense)	2,047,484
Deferred charge for issuance costs (to be amortized over life of debt)	311,573
Accrued interest payable	(860,251)
Compensated absences	(2,478,712)
Unfunded pension cost	(1,188,660)
Other postemployment benefits	<u>(1,007,175)</u>
	<u>(102,959,484)</u>
Total adjustment	<u>\$ (26,779,508)</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Reconciliation of Government-wide and Fund Financial Statements (Continued)

2. Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net assets - governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$3,702,713 as follows:

Cost of net inventories consumed during the year, recognized as a change in fund balance in the fund statements but not in the statement of activities	\$ 5,393
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	7,052,194
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	<u>(3,806,346)</u>
	<u>3,245,848</u>
Cost of capital assets disposed of during the year recognized on the modified accrual basis in the fund statements, but recorded using the accrual basis on the statement of activities	<u>(13,526)</u>
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in notes receivable for the year ended June 30, 2012	3,000,000
Increase in deferred tax revenue for the year ended June 30, 2012	278,755
Increase in deferred ambulance revenue for the year ended June 30, 2012	352,218
Decrease in accrued interest receivable for the year ended June 30, 2012	<u>(4,192)</u>
	<u>3,626,781</u>
Principal payments on notes receivable are recorded as a source of funds on the fund statements; they have no effect on the statement of activities - they affect only the government-wide statement of net assets.	<u>(498,755)</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Reconciliation of Government-wide and Fund Financial Statements (Continued)

2. (Continued)

New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets.

General obligation bonds	\$ (29,990,000)
Premium on general obligation bonds	(1,839,348)
Installment purchase obligations	(9,700,000)

Principal payments on debt owed and costs of issuing debt are recorded as uses of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.

Principal repayments:

General obligation debt	7,780,000
Installment financing	4,646,388
Payment to escrow agent for refunding	19,170,513
Bond issuance costs	156,221
Amortization of bond premium	167,899
Amortization of deferred charge on refunding	(188,712)
Amortization of bond issuance costs	<u>(42,322)</u>
	<u>(9,839,361)</u>

Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.

Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	207,602
Compensated absences	(95,239)
Net pension obligation	43,770
Other postemployment benefits	<u>(360,019)</u>
	<u>(203,886)</u>

An internal service fund is reported in the fund statements. Only the change in net assets of the fund associated with governmental activities is recorded in the statement of activities.

(25,207)

Total adjustment

\$ (3,702,713)

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by its agents in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the County's deposits had a carrying amount of \$16,290,605 and a bank balance of \$17,167,344. Of the bank balance, \$818,907 was covered by federal depository insurance and \$16,348,437 in interest-bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2012, the County had \$8,790 cash on hand.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Investments

As of June 30, 2012, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
US Government Agencies	\$ 11,551,316	\$ 5,005,897	\$ 2,545,488	\$ 3,999,931
Commercial Paper	12,382,406	12,382,406	-	-
NC Capital Management Trust – Cash Portfolio	15,459,156	N/A	N/A	N/A
NC Capital Management Trust – Term Portfolio *	<u>20,017,102</u>	<u>20,017,102</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 59,409,980</u>	<u>\$ 37,405,405</u>	<u>\$ 2,545,488</u>	<u>\$ 3,999,931</u>

* Because the NC Capital Management Trust Term Portfolio had a duration of 0.17 years, it was presented as an investment with a maturity of less than six months.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2012. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US Government and Agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County's investments in US Agencies are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Investments (Continued)

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than five percent of the County's investments are in Federal Home Loan Bank securities, Freddie Mac securities, FCARII commercial paper, Societe Generale NA credit commercial paper, Barclays US Funding commercial paper and Fannie Mae securities. These investments are 7.6 percent, 6.8 percent, 6.7 percent, 5.7 percent, 5.5 percent and 5.1 percent, respectively, of the County's total investments.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,320,470	\$ 1,026,112	\$ 5,346,582
2010	4,352,911	642,054	4,994,965
2011	4,586,938	263,749	4,850,687
2012	<u>4,655,769</u>	<u>-</u>	<u>4,655,769</u>
Total	<u>\$ 17,916,088</u>	<u>\$ 1,931,915</u>	<u>\$ 19,848,003</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Receivables

a. Government-wide Receivables

Receivables at the government-wide level at June 30, 2012 were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Total</u>
Governmental activities:			
General	\$ 10,031,652	\$ 5,416,030	\$ 15,447,682
Other Governmental	<u>4,937</u>	<u>262,960</u>	<u>267,897</u>
Total receivables	10,036,589	5,678,990	15,715,579
Allowance for doubtful accounts	<u>(2,940,000)</u>	<u>(1,796,000)</u>	<u>(4,736,000)</u>
Total governmental activities	<u>\$ 7,096,589</u>	<u>\$ 3,882,990</u>	<u>\$ 10,979,579</u>
Business-type activities:			
Airport	\$ 2,183	\$ -	\$ 2,183
Landfill	<u>733,492</u>	<u>-</u>	<u>733,492</u>
Total receivables	735,675	-	735,675
Allowance for doubtful accounts	<u>(50,137)</u>	<u>-</u>	<u>(50,137)</u>
Total business-type activities	<u>\$ 685,538</u>	<u>\$ -</u>	<u>\$ 685,538</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Receivables (Continued)

a. Government-wide Receivables (Continued)

The *due from other governments* that is owed to the County consists of the following:

Governmental activities:

Local option sales tax	\$ 4,436,330
Franchise fees	119,688
Emergency 911 fees	47,868
HOME grants	850
Single Family Rehabilitation grant	1,500
NC Rural Center grant	<u>151,316</u>

Total governmental activities \$ 4,757,552

Business-type activities:

Aviation grants	\$ 450,534
Solid waste disposal tax	43,388
Scrap tire disposal tax	10,987
White goods disposal tax	<u>14,620</u>

Total business-type activities \$ 519,529

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Receivables (Continued)

b. Notes Receivable

During fiscal year 2012, the County sold the assets in the Sports Authority Fund to the City of Kannapolis, North Carolina, for a \$3,000,000 note receivable. The note receivable was donated to the General Fund upon closure of the Sports Authority Fund. The County will receive installment payments sufficient in the aggregate to repay the note within 50 years. On April 1, 2012, the County received an interest payment of \$1,800. On April 1, 2013, the County will receive a second interest payment of \$3,600. Thereafter, the County will receive 48 annual principal payments of \$62,500 on April 1. No interest will be charged after April 1, 2013.

5. Capital Assets

a. Primary Government

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,796,184	\$ -	\$ -	\$ 11,796,184
Construction in progress	<u>2,540,173</u>	<u>4,926,356</u>	<u>-</u>	<u>7,466,529</u>
Total capital assets not being depreciated	<u>14,336,357</u>	<u>\$ 4,926,356</u>	<u>\$ -</u>	<u>19,262,713</u>
Capital assets being depreciated:				
Buildings	49,608,113	\$ 590,000	\$ -	50,198,113
Other improvements	20,976,846	243,248	-	21,220,094
Equipment	12,331,730	411,472	-	12,743,202
Vehicles and motorized equipment	<u>7,868,200</u>	<u>881,118</u>	<u>(628,461)</u>	<u>8,120,857</u>
Total capital assets being depreciated	<u>90,784,889</u>	<u>\$ 2,125,838</u>	<u>\$ (628,461)</u>	<u>92,282,266</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

a. Primary Government (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities (Continued):				
Less accumulated depreciation for:				
Buildings	\$ 16,039,813	\$ 1,059,433	\$ -	\$ 17,099,246
Other improvements	10,872,773	910,697	-	11,783,470
Equipment	9,792,196	898,435	-	10,690,631
Vehicles and motorized equipment	<u>5,694,853</u>	<u>937,781</u>	<u>(614,935)</u>	<u>6,017,699</u>
Total accumulated depreciation	<u>42,399,635</u>	<u>\$ 3,806,346</u>	<u>\$ (614,935)</u>	<u>45,591,046</u>
Total capital assets being depreciated, net	<u>48,385,254</u>			<u>46,691,220</u>
Governmental activity capital assets, net	<u>\$ 62,721,611</u>			<u>\$ 65,953,933</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

a. Primary Government (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Airport				
Capital assets not being depreciated:				
Land	\$ 2,117,134	\$ 474,880	\$ -	\$ 2,592,014
Capital assets being depreciated:				
Buildings	4,855,879	\$ 96,918	\$ -	4,952,797
Other improvements	10,590,257	751,149	-	11,341,406
Equipment	88,760	-	-	88,760
Vehicles and motorized equipment	71,413	-	-	71,413
Total capital assets being depreciated	15,606,309	\$ 848,067	\$ -	16,454,376
Less accumulated depreciation for:				
Buildings	2,282,403	\$ 180,501	\$ -	2,462,904
Other improvements	9,869,793	151,809	-	10,021,602
Equipment	58,592	8,959	-	67,551
Vehicles and motorized equipment	71,413	-	-	71,413
Total accumulated depreciation	12,282,201	\$ 341,269	\$ -	12,623,470
Total capital assets being depreciated, net	3,324,108			3,830,906
Airport capital assets, net	5,441,242			6,422,920

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

a. Primary Government (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Landfill				
Capital assets not being depreciated:				
Land	<u>\$ 1,401,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,401,797</u>
Capital assets being depreciated:				
Buildings	697,193	\$ -	\$ -	697,193
Other improvements	12,005,342	219,028	-	12,224,370
Equipment	320,933	10,120	-	331,053
Vehicles and motorized equipment	<u>3,644,378</u>	<u>672,086</u>	<u>-</u>	<u>4,316,464</u>
Total capital assets being depreciated	<u>16,667,846</u>	<u>\$ 901,234</u>	<u>\$ -</u>	<u>17,569,080</u>
Less accumulated depreciation for:				
Buildings	166,873	\$ 20,845	\$ -	187,718
Other improvements	11,195,054	382,171	-	11,577,225
Equipment	308,029	5,132	-	313,161
Vehicles and motorized equipment	<u>2,285,480</u>	<u>355,925</u>	<u>-</u>	<u>2,641,405</u>
Total accumulated depreciation	<u>13,955,436</u>	<u>\$ 764,073</u>	<u>\$ -</u>	<u>14,719,509</u>
Total capital assets being depreciated, net	<u>2,712,410</u>			<u>2,849,571</u>
Landfill capital assets, net	<u>4,114,207</u>			<u>4,251,368</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

a. Primary Government (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Sports Authority				
Capital assets not being depreciated:				
Land	\$ 683,744	\$ -	\$ (683,744)	\$ -
Capital assets being depreciated:				
Buildings	6,307,562	\$ -	\$ (6,307,562)	-
Other improvements	457,197	-	(457,197)	-
Equipment	60,770	-	(60,770)	-
Total capital assets being depreciated	6,825,529	\$ -	\$ (6,825,529)	-
Less accumulated depreciation for:				
Buildings	2,128,800	\$ 78,844	\$ (2,207,644)	-
Other improvements	434,006	2,457	(436,463)	-
Equipment	54,475	274	(54,749)	-
Total accumulated depreciation	2,617,281	\$ 81,575	\$ (2,698,856)	-
Total capital assets being depreciated, net	4,208,248			-
Sports Authority capital assets, net	4,891,992			-
Business-type activities capital assets, net	\$ 14,447,441			\$ 10,674,288

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

a. Primary Government (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 535,281
Public safety	1,517,118
Transportation	202,604
Economic and physical development	683,603
Human services	265,372
Culture and recreation	<u>602,368</u>
Total depreciation expense - governmental activities	<u>3,806,346</u>

Business-type activities:

Airport	341,269
Landfill	764,073
Sports Authority	<u>81,575</u>
Total depreciation expense - business-type activities	<u>1,186,917</u>

Total depreciation expense	<u>\$ 4,993,263</u>
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ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

b. Construction Commitments

The County has active construction projects as of June 30, 2012. The projects include construction of a satellite jail, communications project and school building project. At year-end, the County's commitments with architects and contractors were as follows:

<u>Project</u>	<u>Incurred-to-Date</u>	<u>Remaining Commitment</u>
RCCC bond improvements	\$ 430,458	\$ 1,209,760
Communications facility and equipment	691,731	1,626,285
Satellite jail	<u>6,377,861</u>	<u>2,234</u>
	<u>\$ 7,500,050</u>	<u>\$ 2,838,279</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2012 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 5,294,336	\$ 876,044	\$ 2,996,604	\$ 9,166,984
RCCC Facilities Capital Projects	116,670	-	-	116,670
Other Governmental	<u>1,163,804</u>	<u>992</u>	<u>-</u>	<u>1,164,796</u>
Total governmental activities	<u>\$ 6,574,810</u>	<u>\$ 877,036</u>	<u>\$ 2,996,604</u>	<u>\$10,448,450</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Payables (Continued)

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Business-type activities:				
Airport	\$ 60,600	\$ 3,287	\$ -	\$ 63,887
Landfill	<u>198,725</u>	<u>17,856</u>	<u>-</u>	<u>216,581</u>
Total business-type activities	<u>\$ 259,325</u>	<u>\$ 21,143</u>	<u>\$ -</u>	<u>\$ 280,468</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Rowan County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling 919-981-5454.

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and soil and water conservation is 6.97 percent of annual covered payroll. For law enforcement officers and employees of the Rowan Soil and Water Conservation District, the current rate is 7.05 percent and 7.92 percent, respectively, of annual covered payroll. The contribution requirements of members and of Rowan County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012, 2011 and 2010 were \$1,931,453, \$1,821,128 and \$1,407,597, respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>101</u>
Total	<u>124</u>

A separate report was not issued for the plan.

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

Summary of Significant Accounting Policies:

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00 percent investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25 percent to 7.85 percent per year. Both (a) and (b) included an inflation component of 3.00 percent. The assumptions did not include post-employment benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 251,632
Interest on net pension obligation	61,622
Adjustment to annual required contribution	<u>(73,521)</u>
Annual pension cost	239,733
Contributions made	<u>283,503</u>
Decrease in net pension obligation	(43,770)
Net pension obligation, beginning of year	<u>1,232,430</u>
Net pension obligation, end of year	<u><u>\$ 1,188,660</u></u>

Three-Year Trend Information

<u>For Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 233,680	75.3%	\$ 1,236,770
June 30, 2011	230,790	101.9%	1,232,430
June 30, 2012	239,733	118.3%	1,188,660

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers' Special Separation Allowance (Continued)

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$2,796,546. The covered payroll (annual payroll of active employees covered by the plan) was \$3,962,585, and the ratio of the UAAL to the covered payroll was 70.6 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling 919-981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 were \$258,181, which consisted of \$200,638 from the County and \$57,543 from the law enforcement officers.

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

Plan Description. The County contributes to the Supplemental Retirement Income Plan of North Carolina (401(k) Plan), a defined contribution pension plan sponsored by the State of North Carolina and governed by the Department of State Treasurer and a Board of Trustees. The Department and Board have contracted with Prudential Retirement to be the Plan Administrator. The Plan provides retirement benefits to benefited non-law enforcement employees of the County. The Rowan County Board of Commissioners has the authority to establish and amend contribution requirements and other benefit provisions.

Funding Policy. The County contributes to the Plan each month an amount equal to three percent of each eligible employee's salary, and all amounts contributed are vested immediately. County non-law enforcement employees may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 totaled \$1,209,303, which consisted of \$676,637 from the County and \$532,666 from non-law enforcement employees.

e. Register of Deeds' Supplemental Pension Fund

Plan Description. Rowan County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling 919-981-5454.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

e. Register of Deeds' Supplemental Pension Fund (Continued)

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5 percent of the monthly receipts collected pursuant to Article 1 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93 percent of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$9,650.

f. Healthcare Benefits Plan

Plan Description. Under the terms of a County resolution adopted on December 1, 2002, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they (a) qualify for unreduced retirement benefits from the North Carolina Local Governmental Employees' Retirement System (LGERS), (b) have at least twenty consecutive years of creditable service with the County, (c) are at least 55 years of age at the time of retirement, and (d) are not eligible for Medicare coverage through the Social Security Administration. On January 17, 2012, the HCB Plan was amended to exclude the participation of employees hired after the amendment date. The County pays the full cost of coverage for benefits of eligible retirees. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The Rowan County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	28	15
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>644</u>	<u>103</u>
Total	<u>672</u>	<u>118</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

f. Healthcare Benefits Plan (Continued)

Funding Policy. The County pays the full cost of healthcare benefits received by qualified retirees under a County resolution that can be amended by the County Board of Commissioners. If applicable, the County's members pay \$260 per month for spousal coverage or \$300 per month for family coverage. The County has chosen to fund the HCB Plan on a pay-as-you-go basis.

The current annual required contribution (ARC) rate is 2.2 percent of annual covered payroll. For the current year, the County contributed \$236,316 or 0.8 percent of annual covered payroll. The County's healthcare plan is self-insured. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers each represented 2.2 percent of covered payroll. There were no contributions made by employees, except for dependent coverage in the amount of \$33,840. The County's obligation to contribute to the HCB Plan is established and may be amended by the County Board of Commissioners.

Summary of Significant Accounting Policies:

Basis of Accounting. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

f. Healthcare Benefits Plan (Continued)

Annual required contribution	\$ 616,874
Interest on net OPEB obligation	30,003
Adjustment to annual required contribution	<u>(28,662)</u>
Annual OPEB cost (expense)	618,215
Contributions made	<u>(236,316)</u>
Increase in net OPEB obligation	381,899
Net OPEB obligation, beginning of year	<u>750,063</u>
Net OPEB obligation, end of year	<u>\$ 1,131,962</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 were as follows:

<u>For Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 534,144	84.2%	\$ 726,899
June 30, 2011	531,915	95.6%	750,063
June 30, 2012	618,215	38.2%	1,131,962

Funding Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,080,631. The covered payroll (annual payroll of active employees covered by the plan) was \$27,562,353 and the ratio of the UAAL to the covered payroll was 25.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Pension Plan and Other Postemployment Obligations (Continued)

f. Healthcare Benefits Plan (Continued)

are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.5 to 5.0 percent. The investment rate included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

3. Other Employment Benefits

Under the terms of a County resolution, the County provides death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LGERS) (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the LGERS or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the LGERS at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Other Employment Benefits (Continued)

Benefit Plan. The County has no liability beyond the payment of monthly contributions. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the County made contributions to the State for death benefits of \$26,875. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Under the terms of a County resolution, the County provides death and dismemberment benefits to employees through The Standard Life Insurance Company. The beneficiaries of those employees who die in active service after the first day of the month following their thirtieth day of employment are eligible for death benefits. A lump-sum benefit payment of \$32,000 is paid to the employee's chosen beneficiary. Employees who sustain an accidental bodily injury resulting in certain losses of limbs and/or sight are eligible for dismemberment benefits. A lump-sum benefit payment not to exceed \$32,000 is paid to the insured employee. All benefit payments are made by The Standard. The County has no liability beyond the payment of monthly contributions. For the fiscal year ended June 30, 2012, the County made contributions to The Standard totaling \$38,909.

If an employee's beneficiaries receive death benefits in excess of \$50,000, the amount greater than \$50,000 is considered taxable to the employee as a fringe benefit.

4. Closure and Postclosure Care Costs - Rowan County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9,635,216 reported as landfill closure and postclosure care liability at June 30, 2012 represents a cumulative amount reported to-date, based on the use of 84 percent of the total estimated capacity of the current landfill cells. The County will recognize the remaining estimated cost of closure, postclosure care and potential assessment and corrective action of \$1,835,279 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The County expects to close the Landfill facility in the year 2081. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Closure and Postclosure Care Costs - Rowan County Landfill Facility (Continued)

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements. The County expects that future inflation costs will be paid from investment earnings in the Landfill Fund or by charges to future landfill users.

5. Deferred / Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenue on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 247,429
Prepaid taxes not yet earned (Special Revenue Funds)	-	3,468
Taxes receivable (net) (General Fund), less penalties	3,620,031	-
Taxes receivable (net) (Special Revenue Funds)	262,960	-
Ambulance receivable (net) (General Fund)	949,974	-
Notes receivable (General Fund)	<u>3,000,000</u>	<u>-</u>
Total	<u>\$ 7,832,965</u>	<u>\$ 250,897</u>

6. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded liability programs. Both programs are accounted for in the Internal Service Fund. The County retains independent third-party administrators to process and verify the programs' claims. For property and professional coverage, the County operates in conjunction with Carolina Governmental Alliance,

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Risk Management (Continued)

Inc., a governmental corporation. The County retains the first \$25,000 in property claims (except for flood and earthquake claims) and \$350,000 in liability claims that are payable by Carolina Governmental Alliance, Inc. Excess property and liability insurance above the retention amounts is purchased up to a total limit of \$150 million and \$2.5 million, respectively. For workers' compensation claims, the uninsured risk retention per incident is \$500,000. The County has purchased commercial insurance for claims in excess of that amount.

As part of the County's blanket property coverage, the County carries flood insurance through Affiliated FM with an annual aggregate limit of \$50 million. The flood insurance has a \$100,000 per location deductible. The County currently has no structures located within an area that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, County employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Director, Tax Collector, Register of Deeds and Sheriff are individually bonded for \$200,000, \$200,000, \$50,000 and \$25,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$300,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether they are allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. The County's third-party administrators believe that the liabilities of the fund at June 30, 2012 will be paid within the next 12 months. Changes in the balances of claims liabilities during the past two years are as follows:

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Risk Management (Continued)

	<u>Year Ended June 30</u>	
	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of fiscal year	\$ 329,067	\$ 153,873
Incurred claims (including IBNRs)	1,146,492	747,160
Claim payments	<u>(975,325)</u>	<u>(571,966)</u>
Unpaid claims, end of fiscal year	<u>\$ 500,234</u>	<u>\$ 329,067</u>

7. Contingent Liabilities

At June 30, 2012, the County was a defendant to various lawsuits. In the opinion of County management and the County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County's financial position.

8. Long-term Obligations

a. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit and taxing power of the County. The bonds bear interest, payable semi-annually, at rates varying from 2.0 percent to 5.0 percent. Principal and interest payments are appropriated when due.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

The County's general obligation bonds payable at June 30, 2012 are comprised of the following individual issues:

\$19,800,000 2002 School Facility Refunding Serial Bonds due on May 1 in installments ranging from \$485,000 to \$1,845,000 through May 2016; interest ranging from 3.0% to 4.0%. The amount shown includes unamortized premium of \$22,345 and is net of unamortized deferred amount on refunding of \$535,547.	\$ 4,961,798
\$31,600,000 2003 School Facility Serial Bonds due on February 1 in installments ranging from \$800,000 to \$3,200,000 through February 2019; interest ranging from 3.0% to 5.0%. The amount shown includes unamortized premium of \$103,048.	2,603,048
\$6,635,000 2005 School Facility Refunding Serial Bonds due on February 1 in installments ranging from \$105,000 to \$1,130,000 through February 2016; interest ranging from 3.25% to 4.5%. The amount shown includes unamortized premium of \$19,592 and is net of unamortized deferred amount on refunding of \$135,956.	2,723,636
\$45,300,000 2005 School Facility Serial Bonds due on April 1 in installments ranging from \$2,000,000 to \$4,100,000 through April 2020; interest ranging from 3.0% to 5.0%. The amount shown includes unamortized premium of \$280,846.	29,580,846
\$17,990,000 2011 School Facility Refunding Serial Bonds due on February 1 in installments ranging from \$235,000 to \$3,185,000 through February 2019; interest ranging from 2.0% to 4.0%. The amount shown includes unamortized premium of \$1,242,611 and is net of unamortized deferred amount on refunding of \$1,375,981.	17,621,630
\$12,000,000 2011 Community College Serial Bonds due on December 1 in installments ranging from \$400,000 to \$830,000 through December 2026; interest ranging from 2.0% to 3.0%. The amount shown includes unamortized premium of \$539,567.	<u>12,539,567</u>
Total general obligation bonds	<u>\$ 70,030,525</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 8,195,000	\$ 2,490,612
2014	8,680,000	2,170,763
2015	8,670,000	1,889,450
2016	9,595,000	1,585,100
2017	8,115,000	1,177,900
2018-2022	22,485,000	2,125,800
2023-2027	<u>4,130,000</u>	<u>309,450</u>
Total	<u>\$ 69,870,000</u>	<u>\$ 11,749,075</u>

At June 30, 2012, Rowan County had a legal debt margin of \$825,984,349.

Advance Refundings

On December 22, 2011, the County issued \$17,990,000 of general obligation School Facility Refunding Serial bonds with interest rates ranging from 2.0 percent to 4.0 percent to advance refund \$17,780,000 of outstanding 2003 School Facility Serial Bonds with interest rates ranging from 4.125 percent to 5.0 percent. The net proceeds of \$19,170,513 were used to purchase U.S. Government securities that were placed in an irrevocable trust with an escrow agent for the purpose of general resources for all future debt service payments on the refunded 2003 School Facility Serial Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column on the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,390,513. This amount is reported in the accompanying financial statements

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

a. General Obligation Indebtedness (Continued)

as a deduction from bonds payable and is being charged to operations through the year 2019, the life of the refunded debt and the new debt, using the effective interest method. As a result of the advance refunding, the County reduced its total debt service payments over the next eight years by \$1,756,130 and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$1,654,715. The amount of the defeased debt that remains outstanding as of June 30, 2012 is \$17,755,000.

b. Installment Purchase Agreements

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County has entered into agreements to finance the acquisition and/or construction of certain assets such as land, facilities, water and sewer improvements, and equipment. All principal and interest payments are appropriated when due.

Installment purchase agreements at June 30, 2012 involve separate agreements as described below:

Serviced by the General Fund:

\$480,845 1996 installment purchase agreement for regional sewer improvement project, payable on May 1 in installments of \$24,042 through May 2016, plus interest at 3.385%, unsecured	\$ 96,169
\$6,000,000 2006 installment purchase agreement for construction of an elementary school, payable on February 1 and August 1 in installments of \$200,000 through August 2021, plus interest at 3.94%, secured by real property	3,213,620
\$3,800,000 2008 installment purchase agreement for renovation of Justice Center facilities, payable on September 1 and March 1 in installments of \$271,429 through March 2015, plus interest at 2.91%, secured by real property	1,628,572

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

b. Installment Purchase Agreements (Continued)

\$5,132,000 2008 installment purchase agreement for building renovations and expansion, payable on March 1 and September 1 in installments of \$256,600 through September 2018, plus interest at 3.54%, secured by real property	\$ 3,335,800
\$3,400,000 2009 installment purchase agreement for construction of a classroom building at Rowan-Cabarrus Community College, payable on December 1 and June 1 in installments of 170,000 through June 2019, plus interest at 3.59%, secured by real property	2,380,000
\$1,075,000 2009 installment purchase agreement for the purchase of vehicles and equipment, payable on April 1 and October 1 in installments of \$187,627 through October 2012, including interest at 2.64%, secured by vehicles and equipment	185,187
\$2,750,000 2009 installment purchase agreement for construction of a sewer line, payable on May 1 and November 1 in installments of \$137,500 through November 2019, plus interest at 4.13%, secured by sewer line	2,062,500
\$6,270,000 2010 installment purchase agreement for construction of a satellite jail, payable on April 1 and October 1 in installments of \$313,500 through October 2020, plus interest at 2.13%, secured by real property	5,329,500
\$515,300 2010 installment purchase agreement for the purchase of vehicles, payable on March 1 and September 1 in installments of \$87,788 through September 2013, including interest at 1.53%, secured by vehicles	259,386
\$9,700,000 2011 installment purchase agreement for the purchase of communications equipment and construction of an E-911 facility, payable on May 1 and November 1 in installments of \$485,000 through November 2021, plus interest at 2.38%, secured by real property and equipment	<u>9,215,000</u>
Total installment purchase agreements	<u>\$ 27,705,734</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

b. Installment Purchase Agreements (Continued)

Annual debt service requirements to maturity for the County's installment purchase agreements are as follows:

Year Ending June 30	Government Activities	
	Principal	Interest
2013	\$ 4,049,551	\$ 563,687
2014	3,779,221	471,132
2015	3,692,100	382,996
2016	3,149,242	299,476
2017	3,125,200	227,804
2018-2022	<u>9,910,420</u>	<u>278,548</u>
Total	<u>\$ 27,705,734</u>	<u>\$ 2,223,643</u>

c. Debt Related to Capital Activities

Of the June 30, 2012 *total governmental activities* debt of \$102,410,806 listed below, only \$22,112,114 relates to assets to which the County holds title. Restricted cash related to this debt amounts to \$6,855,101.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

d. Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2012:

	Balances July 1, 2011	Additions	Retirements	Balances June 30, 2012	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 65,440,000	\$ 29,990,000	\$ 25,560,000	\$ 69,870,000	\$ 8,195,000
Plus: Premium on issuance	536,560	1,839,348	167,899	2,208,009	425,435
Less: Deferred amount on refunding	<u>(845,683)</u>	<u>(1,390,513)</u>	<u>(188,712)</u>	<u>(2,047,484)</u>	<u>(180,151)</u>
Total general obligation debt	65,130,877	30,438,835	25,539,187	70,030,525	8,440,284
Installment purchase agreements	22,652,122	9,700,000	4,646,388	27,705,734	4,049,551
Compensated absences	2,383,473	1,952,272	1,857,033	2,478,712	1,024,974
Net pension obligation	1,232,430	239,733	283,503	1,188,660	-
Other postemployment benefits	<u>647,156</u>	<u>590,571</u>	<u>230,552</u>	<u>1,007,175</u>	<u>-</u>
Total governmental activities	<u>\$ 92,046,058</u>	<u>\$ 42,921,411</u>	<u>\$ 32,556,663</u>	<u>\$102,410,806</u>	<u>\$13,514,809</u>
Business-type activities:					
Accrued landfill closure and postclosure care costs	\$ 8,987,655	\$ 647,561	\$ -	\$ 9,635,216	\$ -
Compensated absences	82,379	72,045	68,725	85,699	38,060
Other postemployment benefits	<u>102,907</u>	<u>27,644</u>	<u>5,764</u>	<u>124,787</u>	<u>-</u>
Total business-type activities	<u>\$ 9,172,941</u>	<u>\$ 747,250</u>	<u>\$ 74,489</u>	<u>\$ 9,845,702</u>	<u>\$ 38,060</u>

Compensated absences, net pension obligation and other postemployment benefits for governmental activities typically have been liquidated in the General Fund and are accounted for on a last in, first out (LIFO) basis, assuming that employees are taking leave time as it is earned.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

8. Long-term Obligations (Continued)

e. Conduit Debt Obligations

Rowan County Industrial Facilities and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, there were five series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$16,405,000.

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances at June 30, 2012 is as follows:

Due to General Fund from the RDH Water Capital Projects Fund for water line expenditures for which grant reimbursements will be received	<u>\$ 151,316</u>
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ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

2. Interfund Activity

Transfers to/from other funds at June 30, 2012 consist of the following:

From the General Fund to the Communications Capital Projects Fund to supplement other funding sources	\$ (935,000)
From the General Fund to the Risk Management Fund for professional and property liability costs	<u>(625,000)</u>
Total	<u>\$ (1,560,000)</u>

A note receivable was donated from the Sports Authority Fund to the General Fund upon closure of the Sports Authority Fund.	<u>\$ 3,000,000</u>
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D. Fund Balance

The following information provides management and citizens with information on the portion of General Fund balance that is available for appropriation and unassigned:

Total fund balance – General Fund	<u>\$ 39,744,801</u>
Less:	
Nonspendable:	
Inventories	54,544
Restricted:	
Stabilization by State statute	<u>11,385,803</u>
	<u>11,440,347</u>
Fund balance available for appropriation	<u>28,304,454</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

D. Fund Balance (Continued)

Less:

Restricted:

Law enforcement	\$ 11,389
Register of Deeds	49,381
School capital	594,216

Committed:

Future capital projects	1,615,688
Tax revaluation	24,065

Assigned:

Subsequent year's expenditures	6,979,403
Agricultural extension	62,784
Health	926,482
Law enforcement	468,532
Libraries	15,650
Recreation	325,453
Social services	<u>138,555</u>
	<u>11,211,598</u>

Fund balance unassigned \$ 17,092,856

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Encumbrances</u>	
<u>General Fund</u>	<u>Non-Major Funds</u>
\$ 582,825	\$ -

NOTE 3 - JOINT VENTURES

The County participates in a joint venture to operate Piedmont Behavioral Healthcare (PBH) with four other local governments. Each participating government appoints four board members to the twenty-member board. The County has an ongoing financial responsibility for the joint venture because PBH's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in PBH, so no equity interest has been reflected in the financial statements at June 30, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$502,148 to PBH to supplement its activities. Complete financial statements for PBH may be obtained from their administrative offices at 245 Le Phillip Court NE, Concord, NC 28025.

The County, in conjunction with the State of North Carolina, Rowan-Cabarrus Community College and Cabarrus County, participates in a joint venture to operate the Rowan-Cabarrus Community College. Each of the four participants, except Cabarrus County who only appoints two members, appoints four members of the fifteen-member board of trustees of the community college. The president of the community college's student government association serves as a non-voting, *ex officio* member of the board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$718,550 and \$1,995,090 to the community college for capital and operating purposes, respectively, during the fiscal year ended June 30, 2012. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2012. Complete financial statements for the community college may be obtained from the community college's administrative offices at P.O. Box 1595, Salisbury, NC 28145.

NOTE 4 - JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with eight other counties and forty-nine municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$22,988 to the Council during the fiscal year ended June 30, 2012. The County was the subrecipient of grants totaling \$837,005 from the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 5 - BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients and do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 105,060,676	\$ 61,440,470
Supplemental Nutrition Assistance Program	38,647,545	-
Temporary Assistance to Needy Families	786,922	(130)
Women, Infants and Children	2,520,219	-
Domiciliary Care	-	1,022,457
Energy Assistance	92	-
Title IV-E Adoption Assistance	625,981	168,416
Title IV-B Adoption Assistance	<u>-</u>	<u>426,308</u>
	<u>\$ 147,641,435</u>	<u>\$ 63,057,521</u>

NOTE 6 - SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 7 - SPECIAL ITEM

During the year ended June 30, 2012, the County sold all assets in the Sports Authority Fund, principally the baseball stadium, to the City of Kannapolis, North Carolina. This item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management. The assets of the Sports Authority Fund, including cash of \$313,414, had a book value of \$5,123,831 and was sold for a \$3,000,000 note receivable, payable in installments over 50 years.

NOTE 8 - COMPARATIVE DATA / RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide an enhanced understanding of the County's financial position or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.



This section contains additional information required by generally accepted accounting principles.

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress for Other Postemployment Benefits

Schedule of Employer Contributions for Other Postemployment Benefits

Required Supplemental Financial Data

ROWAN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT A-1

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) ÷ c]
12/31/02	\$ -	\$ 1,403,841	\$ 1,403,841	0%	\$ 3,427,767	41.0%
12/31/03	-	1,615,002	1,615,002	0%	3,443,637	46.9%
12/31/04	-	1,614,897	1,614,897	0%	3,511,008	46.0%
12/31/05	-	1,681,462	1,681,462	0%	3,967,984	42.4%
12/31/06	-	1,679,673	1,679,673	0%	3,927,493	42.8%
12/31/07	-	1,949,165	1,949,165	0%	4,220,556	46.2%
12/31/08	-	2,108,547	2,108,547	0%	4,386,342	48.1%
12/31/09	-	2,519,236	2,519,236	0%	4,182,461	60.2%
12/31/10	-	2,691,796	2,691,796	0%	4,074,294	66.1%
12/31/11	-	2,796,546	2,796,546	0%	3,962,585	70.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 150,458	35.9%
2004	166,383	51.6%
2005	181,948	45.9%
2006	184,128	41.4%
2007	176,877	56.3%
2008	178,571	61.0%
2009	203,058	55.9%
2010	222,471	79.1%
2011	235,164	100.0%
2012	251,632	112.7%

ROWAN COUNTY, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT A-2

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a ÷ b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b - a) ÷ c]</u>
12/31/07	\$ -	\$ 8,349,720	\$ 8,349,720	0%	\$ 26,629,686	31.4%
12/31/09	-	6,206,170	6,206,170	0%	28,592,753	21.7%
12/31/10	-	7,080,631	7,080,631	0%	27,562,353	25.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 882,662	27.2%
2010	530,616	84.7%
2011	530,616	95.9%
2012	616,874	38.3%



Combining and Individual Fund Statements and Schedules



General Fund

Accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

RCCC Facilities Capital Projects Fund

Accounts for funds used in the planning, design and construction of capital improvements on Rowan-Cabarrus Community College's North Campus.

Major Governmental Funds

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT B-1****GENERAL FUND****BALANCE SHEET****June 30, 2012****With Comparative Totals at June 30, 2011**

	June 30, 2012	June 30, 2011
ASSETS		
Cash and cash equivalents	\$ 37,760,556	\$ 36,115,117
Restricted cash	24,065	23,954
Receivables (net)	10,665,649	7,310,449
Due from other funds	151,316	258,006
Due from other governments	4,556,018	4,249,953
Inventories	54,544	49,151
Notes receivable	3,000,000	498,755
Total assets	<u>\$ 56,212,148</u>	<u>\$ 48,505,385</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 8,649,913	\$ 4,867,813
Unearned revenue	247,429	287,413
Deferred revenue	7,570,005	4,445,020
Total liabilities	<u>16,467,347</u>	<u>9,600,246</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT B-1 (Continued)****GENERAL FUND****BALANCE SHEET****June 30, 2012****With Comparative Totals at June 30, 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
LIABILITIES AND FUND BALANCE		
Fund balance:		
Nonspendable:		
Inventories	\$ 54,544	\$ 49,151
Restricted:		
Stabilization by State statute	11,385,803	8,795,404
Law enforcement	11,389	46,745
Register of Deeds	49,381	38,476
School capital	594,216	121,871
Committed:		
Future capital projects	1,615,688	1,523,959
Tax revaluation	24,065	23,954
Assigned:		
Subsequent year's expenditures	6,979,403	6,950,763
Agricultural extension	62,784	60,647
Health	926,482	511,408
Law enforcement	468,532	390,917
Libraries	15,650	20,480
Recreation	325,453	475,814
Social services	138,555	149,999
Unassigned	17,092,856	19,745,551
Total fund balance	<u>39,744,801</u>	<u>38,905,139</u>
 Total liabilities and fund balance	 <u>\$ 56,212,148</u>	 <u>\$ 48,505,385</u>

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		2011
	Final Budget	Actual	Variance Positive (Negative) Actual
REVENUES:			
Ad valorem taxes:			
Taxes		\$ 70,960,884	\$ 69,779,588
Interest		1,012,831	889,806
Total ad valorem taxes	\$ 70,188,705	71,973,715	\$ 1,785,010 70,669,394
Local option sales taxes:			
Article 39 and 44: 1 percent		5,954,482	5,666,691
Article 40: .5 percent		5,009,948	4,856,708
Article 42: .5 percent		3,853,986	3,669,519
Article 46: .25 percent		2,349,751	2,330,584
Total local option sales taxes	16,000,000	17,168,167	1,168,167 16,523,502
Other taxes and licenses:			
Franchise fees		447,965	485,740
Heavy equipment tax		14,634	-
Occupancy tax		302,858	315,125
Privilege licenses		16,200	16,397
Real estate transfer tax		219,520	234,235
Rental vehicle tax		42,403	41,356
Total other taxes and licenses	1,079,000	1,043,580	(35,420) 1,092,853
Unrestricted intergovernmental:			
ABC profit distribution		383,200	114,243
Beer and wine tax		334,777	351,503
Payments in lieu of taxes - outside sources		30,128	27,420
Total unrestricted intergovernmental	565,000	748,105	183,105 493,166

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		2011
	Final Budget	Actual	Variance Positive (Negative) Actual
REVENUES (Continued):			
Restricted intergovernmental:			
Federal grants		\$ 18,258,193	\$ 18,383,858
State grants		4,177,816	4,771,447
ABC bottle taxes		34,748	33,733
Court facilities fees		269,908	274,161
Local contributions		584,444	608,710
Lottery proceeds		1,700,000	2,045,000
Total restricted intergovernmental	\$ 25,160,999	25,025,109	\$ (135,890) 26,116,909
Permits and fees:			
Building permits		365,597	367,396
Other permits		142,240	114,950
Register of deeds		541,412	545,829
Total permits and fees	1,072,020	1,049,249	(22,771) 1,028,175
Sales and services:			
Rents, concessions and fees		1,778,878	1,569,701
Ambulance fees		2,848,630	3,077,473
Health fees		286,765	287,529
Jail fees		185,275	180,857
Recreation fees		807,370	824,899
Tax collection fees		298,327	304,218
Total sales and services	5,842,380	6,205,245	362,865 6,244,677

Continued on next page.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES (Continued):				
Investment earnings	\$ 250,057	\$ 335,496	\$ 85,439	\$ 358,051
Miscellaneous:				
Sale of materials		291,477		301,725
Donations		210,076		403,976
Other		110,550		178,895
Total miscellaneous	563,944	612,103	48,159	884,596
Total revenues	120,722,105	124,160,769	3,438,664	123,411,323
EXPENDITURES:				
General government:				
Governing body	125,556	121,416	4,140	124,280
County manager	294,997	292,394	2,603	290,516
Finance	998,429	904,622	93,807	1,027,567
Human Resources	375,074	357,413	17,661	361,831
Elections	405,671	370,756	34,915	292,670
Tax assessor	1,588,522	1,567,252	21,270	1,621,215
Tax collector	639,707	583,304	56,403	573,840
Register of deeds	547,666	499,717	47,949	540,258
Public buildings	2,289,983	2,057,355	232,628	2,293,228
Court facilities	565,914	411,637	154,277	725,576
Information systems	1,978,705	1,880,335	98,370	1,946,332
Other general government	739,541	506,241	233,300	328,049
Total general government	10,549,765	9,552,442	997,323	10,125,362

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES (Continued):				
Public safety:				
Sheriff	\$ 8,387,883	\$ 8,161,196	\$ 226,687	\$ 8,302,550
Jail	5,186,107	4,804,729	381,378	4,599,691
Emergency communications	4,938,650	4,821,407	117,243	1,458,082
Emergency management	750,074	697,962	52,112	725,160
Rescue units	4,098,477	3,889,012	209,465	3,685,141
Animal control	634,393	620,786	13,607	617,979
Medical examiner	95,000	83,900	11,100	73,700
Pre-trial services program	75,657	75,657	-	75,895
Codes enforcement	863,659	863,659	-	893,469
Other public safety	1,107,165	1,107,165	-	952,325
Total public safety	<u>26,137,065</u>	<u>25,125,473</u>	<u>1,011,592</u>	<u>21,383,992</u>
Transportation:				
Rowan Transit System	<u>2,029,332</u>	<u>1,695,186</u>	<u>334,146</u>	<u>1,699,813</u>
Economic and physical development:				
Planning	538,978	507,675	31,303	596,871
Tourism Authority	317,000	300,112	16,888	311,691
Agricultural extension	308,382	254,508	53,874	220,776
Soil and water conservation	62,187	55,770	6,417	53,969
Industrial parks	24,700	17,237	7,463	16,190
Other economic and physical development	969,649	576,299	393,350	596,044
Total economic and physical development	<u>2,220,896</u>	<u>1,711,601</u>	<u>509,295</u>	<u>1,795,541</u>

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES (Continued):				
Human services:				
Health:				
Administration		\$ 388,956		\$ 495,329
Dental clinic		653,228		634,205
Women's preventive health (Family planning)		618,982		639,083
Child health and primary care		466,383		531,682
Maternal health		686,853		707,213
Women, infants and children		634,192		621,238
Adult health		1,273,650		1,420,136
Environmental health		745,944		782,820
Total health	\$ 6,014,969	5,468,188	\$ 546,781	5,831,706
Mental health	545,420	536,896	8,524	597,153
Senior services	1,528,661	1,235,654	293,007	1,606,455
Social services:				
Administration		1,529,094		1,713,249
Child day care		4,849,168		4,816,406
Work first		2,303,791		2,305,925
Other social service programs		2,758,735		2,740,061
Income maintenance programs		4,269,518		4,183,914
Child support enforcement		1,203,721		1,215,918
Foster care program		2,234,301		2,364,716
Other programs		2,399,994		2,303,766
Total social services	22,946,504	21,548,322	1,398,182	21,643,955

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES (Continued):				
Human services (Continued):				
Veterans service officer	\$ 49,899	\$ 48,966	\$ 933	\$ 49,756
Other human services	69,682	69,682	-	130,032
Total human services	31,155,135	28,907,708	2,247,427	29,859,057
Culture and recreation:				
Recreation	2,582,741	2,369,467	213,274	2,417,781
Libraries	2,949,488	2,755,317	194,171	3,011,307
Other culture and recreation	71,932	61,932	10,000	68,791
Total culture and recreation	5,604,161	5,186,716	417,445	5,497,879
Education:				
Public schools	35,719,681	35,495,397	224,284	36,923,344
Community college	2,255,220	2,255,220	-	2,705,220
Total education	37,974,901	37,750,617	224,284	39,628,564
Debt service:				
Principal retirement	12,426,391	12,426,388	3	11,143,618
Interest and other charges	3,570,499	3,552,158	18,341	3,874,440
Total debt service	15,996,890	15,978,546	18,344	15,018,058
Total expenditures	131,668,145	125,908,289	5,759,856	125,008,266

Continued on next page.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

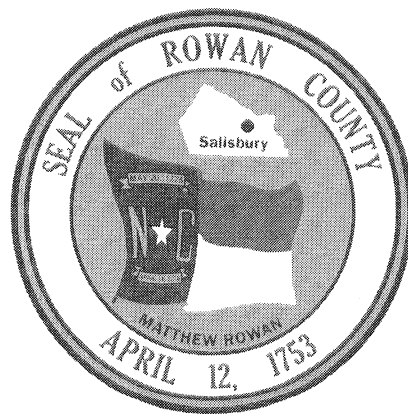
	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
Revenues under expenditures	<u>\$ (10,946,040)</u>	<u>\$ (1,747,520)</u>	<u>\$ 9,198,520</u>	<u>\$ (1,596,943)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	-	-	-	853,334
Transfers to other funds	(1,560,000)	(1,560,000)	-	(1,055,000)
Refunding bonds issued	17,990,000	17,990,000	-	-
Installment purchase obligations issued	3,300,000	3,300,000	-	515,300
Premium on bonds issued	567,699	567,699	-	-
Premium on refunding bonds issued	1,271,649	1,271,649	-	-
Payment to refunded bond escrow agent	(19,170,513)	(19,170,513)	-	-
Sale of capital assets	-	182,954	182,954	127,832
Total other financing sources (uses)	<u>2,398,835</u>	<u>2,581,789</u>	<u>182,954</u>	<u>441,466</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(8,547,205)	834,269	9,381,474	(1,155,477)
APPROPRIATED FUND BALANCE	<u>8,547,205</u>	<u>-</u>	<u>(8,547,205)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	834,269	<u>\$ 834,269</u>	(1,155,477)
FUND BALANCE:				
Beginning of year, July 1		38,905,139		40,062,402
Increase (decrease) in inventories		<u>5,393</u>		<u>(1,786)</u>
End of year, June 30		<u>\$ 39,744,801</u>		<u>\$ 38,905,139</u>

RCCC FACILITIES CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ -	\$ 2,788	\$ 11,678	\$ 14,466	\$ 14,466
EXPENDITURES:					
Capital outlay:					
Education:					
Loan Improvements	3,400,000	3,104,930	27,962	3,132,892	267,108
Bond Improvements	12,000,000	-	430,458	430,458	11,569,542
Total expenditures	15,400,000	3,104,930	458,420	3,563,350	11,836,650
Revenues under expenditures	(15,400,000)	(3,102,142)	(446,742)	(3,548,884)	11,851,116
OTHER FINANCING SOURCES:					
General obligation bonds issued	12,000,000	-	12,000,000	12,000,000	-
Installment purchase obligations issued	3,400,000	3,400,000	-	3,400,000	-
Total other financing sources	15,400,000	3,400,000	12,000,000	15,400,000	-
Net change in fund balance	\$ -	\$ 297,858	11,553,258	\$ 11,851,116	\$ 11,851,116
FUND BALANCE:					
Beginning of year, July 1			297,858		
End of year, June 30			\$ 11,851,116		



Community Development Fund

Accounts for the grant revenues received from the Community Development Block Grant and the HOME Consortium Grant to fund community development.

Emergency Telephone System Fund

Accounts for the 911 revenues received by the State 911 Board to enhance the State's 911 system.

Fire District Fund

Accounts for the tax revenues collected by the County on behalf of the various fire districts located within the County.

Communications Capital Projects Fund

Accounts for funds used in the planning, design and construction of an E-911 facility and for the purchase of communications equipment.

RDH Water Capital Projects Fund

Accounts for funds used in the planning, design and construction of a water line to provide domestic water and fire protection to RDH Properties, LLC.

Satellite Jail Capital Projects Fund

Accounts for funds used in the planning, design and construction of a new satellite jail facility.

Nonmajor Governmental Funds

ROWAN COUNTY, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Community Development Fund	Emergency Telephone System Fund	Fire District Fund	
ASSETS				
Cash and cash equivalents	\$ 17,478	\$ 1,264,863	\$ 53,356	\$ 1,335,697
Restricted cash	-	-	-	-
Receivables (net)	4,937	-	262,960	267,897
Due from other governments	2,350	47,868	-	50,218
Total assets	<u>\$ 24,765</u>	<u>\$ 1,312,731</u>	<u>\$ 316,316</u>	<u>\$ 1,653,812</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 20,385	\$ 1,117	\$ 49,888	\$ 71,390
Due to other funds	-	-	-	-
Contract retainage	-	-	-	-
Unearned revenue	-	-	3,468	3,468
Deferred revenue	-	-	262,960	262,960
Total liabilities	<u>20,385</u>	<u>1,117</u>	<u>316,316</u>	<u>337,818</u>
Fund balances:				
Restricted:				
Stabilization by State statute	7,287	47,868	-	55,155
Emergency telephone	-	1,263,746	-	1,263,746
Future capital projects	-	-	-	-
Assigned:				
Future capital projects	-	-	-	-
Unassigned	(2,907)	-	-	(2,907)
Total fund balances	<u>4,380</u>	<u>1,311,614</u>	<u>-</u>	<u>1,315,994</u>
Total liabilities and fund balances	<u>\$ 24,765</u>	<u>\$ 1,312,731</u>	<u>\$ 316,316</u>	<u>\$ 1,653,812</u>

EXHIBIT B-4

Capital Projects Funds				
Communications Capital Projects Fund	RDH Water Capital Projects Fund	Satellite Jail Capital Projects Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 784,378	\$ -	\$ 429,057	\$ 1,213,435	\$ 2,549,132
6,403,718	-	451,383	6,855,101	6,855,101
-	-	-	-	267,897
-	151,316	-	151,316	201,534
<u>\$ 7,188,096</u>	<u>\$ 151,316</u>	<u>\$ 880,440</u>	<u>\$ 8,219,852</u>	<u>\$ 9,873,664</u>
\$ 512,738	\$ -	\$ 289,680	\$ 802,418	\$ 873,808
-	151,316	-	151,316	151,316
28,371	-	262,617	290,988	290,988
-	-	-	-	3,468
-	-	-	-	262,960
<u>541,109</u>	<u>151,316</u>	<u>552,297</u>	<u>1,244,722</u>	<u>1,582,540</u>
-	151,316	-	151,316	206,471
-	-	-	-	1,263,746
6,403,718	-	451,383	6,855,101	6,855,101
784,378	-	429,057	1,213,435	1,213,435
(541,109)	(151,316)	(552,297)	(1,244,722)	(1,247,629)
<u>6,646,987</u>	<u>-</u>	<u>328,143</u>	<u>6,975,130</u>	<u>8,291,124</u>
<u>\$ 7,188,096</u>	<u>\$ 151,316</u>	<u>\$ 880,440</u>	<u>\$ 8,219,852</u>	<u>\$ 9,873,664</u>

ROWAN COUNTY, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Community Development Fund	Emergency Telephone System Fund	Fire District Fund	
REVENUES:				
Ad valorem taxes	\$ -	\$ -	\$ 4,050,115	\$ 4,050,115
Restricted intergovernmental	149,462	539,413	-	688,875
Investment earnings	-	6,763	-	6,763
Miscellaneous	16,656	-	-	16,656
Total revenues	<u>166,118</u>	<u>546,176</u>	<u>4,050,115</u>	<u>4,762,409</u>
EXPENDITURES:				
Current:				
Public safety	-	885,796	4,050,115	4,935,911
Economic and physical development	161,738	-	-	161,738
Capital outlay	-	-	-	-
Total expenditures	<u>161,738</u>	<u>885,796</u>	<u>4,050,115</u>	<u>5,097,649</u>
Excess (deficiency) of revenues over expenditures	<u>4,380</u>	<u>(339,620)</u>	<u>-</u>	<u>(335,240)</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	4,380	(339,620)	-	(335,240)
FUND BALANCES:				
Beginning of year, July 1	<u>-</u>	<u>1,651,234</u>	<u>-</u>	<u>1,651,234</u>
End of year, June 30	<u>\$ 4,380</u>	<u>\$ 1,311,614</u>	<u>\$ -</u>	<u>\$ 1,315,994</u>

EXHIBIT B-5

Capital Projects Funds				
Communications Capital Projects Fund	RDH Water Capital Projects Fund	Satellite Jail Capital Projects Fund	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 4,050,115
-	-	-	-	688,875
3,718	-	1,524	5,242	12,005
-	-	-	-	16,656
<u>3,718</u>	<u>-</u>	<u>1,524</u>	<u>5,242</u>	<u>4,767,651</u>
-	-	-	-	4,935,911
-	-	-	-	161,738
691,731	-	4,234,625	4,926,356	4,926,356
<u>691,731</u>	<u>-</u>	<u>4,234,625</u>	<u>4,926,356</u>	<u>10,024,005</u>
<u>(688,013)</u>	<u>-</u>	<u>(4,233,101)</u>	<u>(4,921,114)</u>	<u>(5,256,354)</u>
935,000	-	-	935,000	935,000
6,400,000	-	-	6,400,000	6,400,000
<u>7,335,000</u>	<u>-</u>	<u>-</u>	<u>7,335,000</u>	<u>7,335,000</u>
6,646,987	-	(4,233,101)	2,413,886	2,078,646
-	-	4,561,244	4,561,244	6,212,478
<u>\$ 6,646,987</u>	<u>\$ -</u>	<u>\$ 328,143</u>	<u>\$ 6,975,130</u>	<u>\$ 8,291,124</u>

ROWAN COUNTY, NORTH CAROLINA
COMMUNITY DEVELOPMENT FUND

EXHIBIT B-6

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental:					
Community Development Block Grant	\$ 900,000	\$ 899,493	\$ -	\$ 899,493	\$ (507)
HOME Consortium Grant	960,094	682,022	110,462	792,484	(167,610)
Single Family Rehabilitation Program	557,000	396,777	1,500	398,277	(158,723)
Urgent Repair Program	75,000	-	37,500	37,500	(37,500)
Total restricted intergovernmental	<u>2,492,094</u>	<u>1,978,292</u>	<u>149,462</u>	<u>2,127,754</u>	<u>(364,340)</u>
Miscellaneous:					
Duke Home Energy Loan Pool	280,000	175,844	16,656	192,500	(87,500)
Lead Assistance Partnership Loan Pool	88,000	22,495	-	22,495	(65,505)
Other	10,000	10,000	-	10,000	-
Total miscellaneous	<u>378,000</u>	<u>208,339</u>	<u>16,656</u>	<u>224,995</u>	<u>(153,005)</u>
Total revenues	<u>2,870,094</u>	<u>2,186,631</u>	<u>166,118</u>	<u>2,352,749</u>	<u>(517,345)</u>
EXPENDITURES:					
Economic and physical development:					
Administration	226,587	167,972	18,696	186,668	39,919
Down payment assistance	10,000	10,000	-	10,000	-
New construction	117,439	117,439	-	117,439	-
Rehabilitation	2,541,068	1,916,220	143,042	2,059,262	481,806
Total expenditures	<u>2,895,094</u>	<u>2,211,631</u>	<u>161,738</u>	<u>2,373,369</u>	<u>521,725</u>
Revenues over (under) expenditures	(25,000)	(25,000)	4,380	(20,620)	4,380
OTHER FINANCING SOURCES:					
Transfers from other funds	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,380	<u>\$ 4,380</u>	<u>\$ 4,380</u>
FUND BALANCE:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 4,380</u>		

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT B-7****EMERGENCY TELEPHONE SYSTEM FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****For the Fiscal Year Ended June 30, 2012****With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011**

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Restricted intergovernmental:				
State 911 fees	\$ 539,413	\$ 539,413	\$ -	\$ 749,570
Investment earnings	1,000	6,763	5,763	1,771
Total revenues	540,413	546,176	5,763	751,341
EXPENDITURES:				
Current:				
Public safety:				
Emergency communications	1,130,413	885,796	244,617	283,533
Revenues over (under) expenditures	(590,000)	(339,620)	250,380	467,808
APPROPRIATED FUND BALANCE	590,000	-	(590,000)	-
Net change in fund balance	\$ -	(339,620)	\$ (339,620)	467,808
FUND BALANCE:				
Beginning of year, July 1		1,651,234		1,183,426
End of year, June 30		\$ 1,311,614		\$ 1,651,234

FIRE DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES:				
Ad valorem taxes	\$ 4,102,703	\$ 4,050,115	\$ (52,588)	\$ 3,906,630
EXPENDITURES:				
Current:				
Public safety:				
Atwell Township Fire District	324,193	321,068	3,125	324,544
Bostian Heights Fire District	461,970	458,925	3,045	457,206
Cleveland Fire District	299,739	297,058	2,681	260,187
East Gold Hill Fire District	78,110	76,913	1,197	79,079
East Landis Fire District	11,555	10,819	736	17,194
East Rowan Fire District	13,125	12,197	928	13,307
Ellis Cross Country Fire District	82,082	79,677	2,405	80,615
Enochville Fire District	170,240	167,115	3,125	177,098
Franklin Fire District	181,990	180,330	1,660	176,837
Liberty Fire District	200,893	197,910	2,983	195,705
Locke Township Fire District	466,575	462,621	3,954	450,503
Miller Ferry Fire District	386,775	385,132	1,643	272,479
Mount Mitchell Fire District	59,718	58,509	1,209	58,383
Poole Town Fire District	59,326	57,274	2,052	53,992
Richfield-Misenheimer Fire District	7,650	7,007	643	7,755

Continued on next page.

FIRE DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES (Continued):				
Current (Continued):				
Public safety (Continued):				
Rockwell Rural Fire District	\$ 389,100	\$ 383,708	\$ 5,392	\$ 395,001
Rowan Iredell Fire District	31,544	30,467	1,077	32,510
Scotch Irish Fire District	46,420	44,527	1,893	47,329
South Rowan Fire District	17,550	17,047	503	17,340
South Salisbury Fire District	279,806	274,191	5,615	256,958
Union Fire District	120,390	118,294	2,096	121,663
West Rowan Fire District	189,752	187,677	2,075	182,739
Woodleaf Fire District	224,200	221,649	2,551	228,206
Total expenditures	4,102,703	4,050,115	52,588	3,906,630
Net change in fund balance	\$ -	-	\$ -	-
FUND BALANCE:				
Beginning of year, July 1		-		-
End of year, June 30		\$ -		\$ -

COMMUNICATIONS CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ -	\$ -	\$ 3,718	\$ 3,718	\$ 3,718
EXPENDITURES:					
Capital outlay:					
Public safety:					
Buildings	1,856,167	-	186,873	186,873	1,669,294
Other improvements	5,478,833	-	504,858	504,858	4,973,975
	<u>7,335,000</u>	<u>-</u>	<u>691,731</u>	<u>691,731</u>	<u>6,643,269</u>
Revenues under expenditures	<u>(7,335,000)</u>	<u>-</u>	<u>(688,013)</u>	<u>(688,013)</u>	<u>6,646,987</u>
OTHER FINANCING SOURCES:					
Transfers from other funds	935,000	-	935,000	935,000	-
Installment purchase obligations issued	6,400,000	-	6,400,000	6,400,000	-
Total other financing sources	<u>7,335,000</u>	<u>-</u>	<u>7,335,000</u>	<u>7,335,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,646,987</u>	<u>\$ 6,646,987</u>	<u>\$ 6,646,987</u>
FUND BALANCE:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 6,646,987</u>		

RDH WATER CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental:					
Community Development Block Grant	\$ 384,000	\$ 210,621	\$ -	\$ 210,621	\$ (173,379)
North Carolina Rural Center Grant	281,000	151,316	-	151,316	(129,684)
Miscellaneous:					
Donations	35,000	35,000	-	35,000	-
Total revenues	700,000	396,937	-	396,937	(303,063)
EXPENDITURES:					
Capital outlay:					
Economic and physical development:					
Waterline	700,000	396,937	-	396,937	303,063
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
FUND BALANCE:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

SATELLITE JAIL CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
REVENUES:					
Investment earnings	\$ -	\$ 4,480	\$ 1,524	\$ 6,004	\$ 6,004
EXPENDITURES:					
Capital outlay:					
Public safety:					
Building	6,700,000	2,143,236	4,234,625	6,377,861	322,139
Revenues under expenditures	(6,700,000)	(2,138,756)	(4,233,101)	(6,371,857)	328,143
OTHER FINANCING SOURCES:					
Transfers from other funds	430,000	430,000	-	430,000	-
Installment purchase obligations issued	6,270,000	6,270,000	-	6,270,000	-
Total other financing sources	6,700,000	6,700,000	-	6,700,000	-
Net change in fund balance	\$ -	\$ 4,561,244	(4,233,101)	\$ 328,143	\$ 328,143
FUND BALANCE:					
Beginning of year, July 1			4,561,244		
End of year, June 30			\$ 328,143		

Airport Fund

Accounts for the operations and development of the Rowan County Airport.

Landfill Fund

Accounts for the County's solid waste activities.

Sports Authority Fund

Accounts for the stadium operations of the Rowan County-Kannapolis Sports Authority.

Risk Management Fund

Accounts for the operations of the County's professional and property liability and workers' compensation self-funded programs.

Proprietary Funds



AIRPORT FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ 1,092,350	\$ 1,036,532	\$ (55,818)	\$ 1,062,950
Nonoperating revenues:				
Investment earnings	1,200	530	(670)	1,255
Total revenues	1,093,550	1,037,062	(56,488)	1,064,205
EXPENDITURES:				
Airport operations	3,661,582	2,364,723	1,296,859	1,140,698
Revenues under expenditures	(2,568,032)	(1,327,661)	1,240,371	(76,493)
OTHER FINANCING SOURCES:				
Capital contributions	2,412,224	1,103,426	(1,308,798)	118,912
Transfers in	155,808	-	(155,808)	-
Total other financing sources	2,568,032	1,103,426	(1,464,606)	118,912
Revenues and other financing sources over (under) expenditures	\$ -	(224,235)	\$ (224,235)	42,419
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL)				
TO FULL ACCRUAL:				
Reconciling items:				
Capital outlays		1,322,947		70,542
Depreciation		(341,269)		(343,412)
(Increase) decrease in accrued vacation pay		(2,037)		12,214
Increase in other postemployment benefits		(2,513)		(2,100)
Total reconciling items		977,128		(262,756)
Change in net assets		\$ 752,893		\$ (220,337)

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ 4,936,000	\$ 4,634,751	\$ (301,249)	\$ 5,058,762
Nonoperating revenues:				
Solid waste disposal tax	62,000	63,300	1,300	66,239
Scrap tire disposal tax	160,000	170,334	10,334	166,240
White goods disposal tax	40,000	43,325	3,325	41,738
Investment earnings	120,000	77,011	(42,989)	168,566
Total nonoperating revenues	382,000	353,970	(28,030)	442,783
Total revenues	5,318,000	4,988,721	(329,279)	5,501,545
EXPENDITURES:				
Administration	241,587	238,360	3,227	238,275
Recycling operations	579,141	504,771	74,370	555,853
Sanitation operations	690,378	640,132	50,246	852,324
Solid waste operations	3,913,235	2,403,587	1,509,648	2,382,278
Total expenditures	5,424,341	3,786,850	1,637,491	4,028,730
Revenues over (under) expenditures	(106,341)	1,201,871	1,308,212	1,472,815
APPROPRIATED FUND BALANCE	106,341	-	(106,341)	-
Revenues and appropriated fund balance over expenditures	\$ -	1,201,871	\$ 1,201,871	1,472,815

Continued on next page.

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		2011
	Final Budget	Actual	Variance Positive (Negative) Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL)			
TO FULL ACCRUAL:			
Reconciling items:			
Capital outlays		\$ 901,234	\$ 781,390
Depreciation		(764,073)	(1,021,652)
Increase in accrued landfill closure and postclosure care costs		(647,561)	(1,351,719)
(Increase) decrease in accrued vacation pay		(1,283)	1,434
Increase in other postemployment benefits		(19,367)	(16,016)
Total reconciling items		<u>(531,050)</u>	<u>(1,606,563)</u>
Change in net assets		<u>\$ 670,821</u>	<u>\$ (133,748)</u>

SPORTS AUTHORITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES:				
Operating revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ 95,005
Nonoperating revenues:				
Investment earnings	-	-	-	427
Total revenues	-	-	-	95,432
EXPENDITURES:				
Sports Authority operations	-	-	-	165,435
Revenues under expenditures	-	-	-	(70,003)
OTHER FINANCING USES:				
Payment for disposal of capital assets	(313,416)	(313,414)	(2)	-
Transfers out	(3,000,000)	-	(3,000,000)	-
Total other financing uses	(3,313,416)	(313,414)	(3,000,002)	-
Revenues under expenditures and other financing uses	(3,313,416)	(313,414)	(3,000,002)	(70,003)
APPROPRIATED FUND BALANCE	3,313,416	-	(3,313,416)	-
Revenues and appropriated fund balance under expenditures and other financing uses	\$ -	(313,414)	\$ (313,414)	(70,003)

Continued on next page.

SPORTS AUTHORITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		2011
	Final Budget	Actual	Variance Positive (Negative) Actual
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL)			
TO FULL ACCRUAL:			
Reconciling items:			
Capital outlays		\$ -	\$ 24,190
Depreciation		(81,575)	(162,304)
Loss on sale of capital assets		(1,810,417)	-
Donation of note receivable		(3,000,000)	-
Total reconciling items		<u>(4,891,992)</u>	<u>(138,114)</u>
Change in net assets		<u>\$ (5,205,406)</u>	<u>\$ (208,117)</u>

RISK MANAGEMENT FUND

SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN AND ACTUAL (NON-GAAP)

For the Fiscal Year Ended June 30, 2012

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011

	2012		2011
	Final Financial Plan	Actual	Variance Positive (Negative) Actual
REVENUES:			
Operating revenues:			
Charges for services	\$ 800,000	\$ 894,003	\$ 94,003
Nonoperating revenues:			
Investment earnings	10,200	23,265	13,065
Insurance settlements	207,500	226,118	18,618
Total nonoperating revenues	217,700	249,383	31,683
Total revenues	1,017,700	1,143,386	125,686
EXPENDITURES:			
Administration	133,004	128,962	4,042
Professional and property liability	653,500	653,483	17
Workers' compensation	1,179,996	1,097,666	82,330
Total expenditures	1,966,500	1,880,111	86,389
Revenues under expenditures	(948,800)	(736,725)	212,075
OTHER FINANCING SOURCES:			
Transfers in	625,000	625,000	-
Revenues and other financing sources over (under) expenditures	(323,800)	(111,725)	212,075
APPROPRIATED FUND BALANCE	323,800	-	(323,800)
Revenues, other financing sources and appropriated fund balance over (under) expenditures	\$ -	\$ (111,725)	\$ (111,725)

Agency Funds

Accounts for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

- Fines and Forfeitures Fund
- Municipal Tax Fund
- Social Services Fund

Fiduciary Funds

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ 7,790	\$ 1,499,477	\$ 1,493,618	\$ 13,649
Accounts receivable	65,194	96,378	65,194	96,378
Total assets	\$ 72,984	\$ 1,595,855	\$ 1,558,812	\$ 110,027
Liabilities:				
Intergovernmental payables:				
Rowan-Salisbury Schools	\$ 62,370	\$ 1,368,745	\$ 1,339,222	\$ 91,893
Kannapolis City Schools	3,762	83,042	81,229	5,575
State of North Carolina	6,852	144,068	138,361	12,559
Total liabilities	\$ 72,984	\$ 1,595,855	\$ 1,558,812	\$ 110,027
Municipal Tax Fund				
Assets:				
Cash and cash equivalents	\$ 205,014	\$ 25,911,115	\$ 25,808,629	\$ 307,500
Liabilities:				
Intergovernmental payables:				
Rowan County Municipalities	\$ 205,014	\$ 25,911,115	\$ 25,808,629	\$ 307,500
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 15,277	\$ 192,773	\$ 178,689	\$ 29,361
Liabilities:				
Miscellaneous liabilities	\$ 15,277	\$ 192,773	\$ 178,689	\$ 29,361

Continued on next page.

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 228,081	\$ 27,603,365	\$ 27,480,936	\$ 350,510
Accounts receivable	65,194	96,378	65,194	96,378
Total assets	<u>\$ 293,275</u>	<u>\$ 27,699,743</u>	<u>\$ 27,546,130</u>	<u>\$ 446,888</u>
Liabilities:				
Intergovernmental payables:				
Rowan-Salisbury Schools	\$ 62,370	\$ 1,368,745	\$ 1,339,222	\$ 91,893
Kannapolis City Schools	3,762	83,042	81,229	5,575
State of North Carolina	6,852	144,068	138,361	12,559
Rowan County Municipalities	205,014	25,911,115	25,808,629	307,500
Miscellaneous liabilities	15,277	192,773	178,689	29,361
Total liabilities	<u>\$ 293,275</u>	<u>\$ 27,699,743</u>	<u>\$ 27,546,130</u>	<u>\$ 446,888</u>



This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable – General Fund

Analysis of Current Tax Levy – County-wide Levy

Other Schedules

ROWAN COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2012

EXHIBIT C-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 72,007,286	\$ 69,160,063	\$ 2,847,223
2010-2011	2,803,427	-	1,789,878	1,013,549
2009-2010	1,014,246	-	500,202	514,044
2008-2009	448,743	-	166,963	281,780
2007-2008	221,598	-	53,329	168,269
2006-2007	122,032	-	18,650	103,382
2005-2006	146,257	-	12,824	133,433
2004-2005	159,365	-	10,318	149,047
2003-2004	103,371	-	8,017	95,354
2002-2003	116,242	-	6,293	109,949
2001-2002	107,228	-	107,228	-
	<u>\$ 5,242,509</u>	<u>\$ 72,007,286</u>	<u>\$ 71,833,765</u>	5,416,030
Less: Allowance for uncollectible accounts: General Fund				<u>(1,796,000)</u>
Ad valorem taxes receivable (net): General Fund				<u>\$ 3,620,030</u>

Continued on next page.

GENERAL FUND

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2012

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 71,973,715
Penalties collected on ad valorem taxes - Agency Fund	<u>180,335</u>
Total ad valorem taxes and penalties	<u>72,154,050</u>

Reconciling items:

Interest collected	(1,012,831)
Abatement of prior year taxes	58,660
Discounts allowed	546,266
Taxes written off	101,452
Taxes over ten years old collected	<u>(13,832)</u>
Total reconciling items	<u>(320,285)</u>

Total collections and credits	<u>\$ 71,833,765</u>
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ROWAN COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
For the Fiscal Year Ended June 30, 2012

EXHIBIT C-2

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 11,221,605,726	0.6225	\$ 69,854,496	\$ 66,044,866	\$ 3,809,630
Motor vehicles taxed at prior year's rate	327,953,220	0.5950	1,951,322	-	1,951,322
Penalties	-		38,299	38,299	-
Total original levy	<u>11,549,558,946</u>		<u>71,844,117</u>	<u>66,083,165</u>	<u>5,760,952</u>
Discoveries:					
Current year taxes	82,860,138	0.6225	515,804	481,181	34,623
Prior year taxes	-		1,829	-	1,829
Penalties	-		180,335	125,006	55,329
Total discoveries	<u>82,860,138</u>		<u>697,968</u>	<u>606,187</u>	<u>91,781</u>
Abatements	<u>(85,911,486)</u>		<u>(534,799)</u>	<u>(300,026)</u>	<u>(234,773)</u>
Total property valuation	<u>\$ 11,546,507,598</u>				
Net levy			72,007,286	66,389,326	5,617,960
Uncollected taxes at June 30, 2012			<u>2,847,223</u>	<u>2,198,545</u>	<u>648,678</u>
Current year's taxes collected			<u>\$ 69,160,063</u>	<u>\$ 64,190,781</u>	<u>\$ 4,969,282</u>
Current levy collection percentage			<u>96.05%</u>	<u>96.69%</u>	<u>88.45%</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
For the Fiscal Year Ended June 30, 2012

EXHIBIT C-2 (Continued)

Secondary Market Disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 8,739,519,786
Personal property	2,216,216,728
Public service companies ²	<u>590,771,084</u>
Total assessed valuation	<u><u>\$11,546,507,598</u></u>
Tax rate per \$100	0.6225
Levy (includes discoveries, releases and abatements) ³	<u><u>\$ 72,007,286</u></u>

In addition to the County-wide rate, the following lists the levy by the County
on behalf of fire protection districts for the fiscal year ended June 30:

Fire Protection Districts	<u><u>\$ 4,063,047</u></u>
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¹ Percentage of appraised value has been established by Statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³ The levy includes interest and penalties.



This part of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATISTICAL SECTION



Net Assets by Component

Changes in Net Assets

Fund Balances of Governmental Funds

Changes in Fund Balances of Governmental Funds

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Financial Trends



ROWAN COUNTY, NORTH CAROLINA
NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 1

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt ^a	\$ 38,830	\$ 44,054	\$ 45,781	\$ 49,310	\$ 53,747	\$ 49,923	\$ 51,333	\$ 52,184	\$ 51,426	\$ 50,697
Restricted ^b	8,267	36,256	58,764	24,300	17,939	12,071	13,215	11,559	11,227	13,511
Unrestricted ^c	(1,721)	(31,412)	(70,411)	(65,959)	(67,506)	(53,587)	(51,541)	(48,015)	(40,309)	(31,100)
Total governmental activities net assets	<u>\$ 45,376</u>	<u>\$ 48,898</u>	<u>\$ 34,134</u>	<u>\$ 7,651</u>	<u>\$ 4,180</u>	<u>\$ 8,407</u>	<u>\$ 13,007</u>	<u>\$ 15,728</u>	<u>\$ 22,344</u>	<u>\$ 33,108</u>
Business-type activities:										
Invested in capital assets, net of related debt ^d	\$ 9,367	\$ 9,064	\$ 13,092	\$ 12,219	\$ 11,432	\$ 17,403	\$ 16,091	\$ 15,099	\$ 14,448	\$ 10,674
Unrestricted	2,902	3,627	(815)	16	1,289	2,215	3,655	4,731	4,729	4,634
Total business-type activities net assets	<u>\$ 12,269</u>	<u>\$ 12,691</u>	<u>\$ 12,277</u>	<u>\$ 12,235</u>	<u>\$ 12,721</u>	<u>\$ 19,618</u>	<u>\$ 19,746</u>	<u>\$ 19,830</u>	<u>\$ 19,177</u>	<u>\$ 15,308</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 48,197	\$ 53,118	\$ 58,873	\$ 61,529	\$ 65,179	\$ 67,326	\$ 67,424	\$ 67,283	\$ 65,874	\$ 61,371
Restricted	8,267	36,256	58,764	24,300	17,939	12,071	13,215	11,559	11,227	13,511
Unrestricted	1,181	(27,785)	(71,226)	(65,943)	(66,217)	(51,372)	(47,886)	(43,284)	(35,580)	(26,466)
Total primary government net assets	<u>\$ 57,645</u>	<u>\$ 61,589</u>	<u>\$ 46,411</u>	<u>\$ 19,886</u>	<u>\$ 16,901</u>	<u>\$ 28,025</u>	<u>\$ 32,753</u>	<u>\$ 35,558</u>	<u>\$ 41,521</u>	<u>\$ 48,416</u>

- Notes:** ^a The decrease from the prior period in 2008 was caused by the transfer of capital assets to the new Airport business-type activity.
- ^b The fluctuations from the prior period in 2004, 2005, 2006, 2007 and 2012 were due to unexpended bond proceeds for school capital outlay on hand at fiscal year-end.
- ^c The decreases from the prior period in 2004 and 2005 were caused by increases in the County's outstanding debt incurred for the school construction program.
- ^d The increases from the prior period in 2005 and 2008 were caused by the construction of a new cell at the Rowan County Landfill and the transfer in of capital assets for the new Airport business-type activity. The decrease from the prior period in 2012 was due to the sale of the baseball stadium.

ROWAN COUNTY, NORTH CAROLINA
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Expenses:										
General government	\$ 9,490	\$ 9,115	\$ 10,330	\$ 10,926	\$ 9,992	\$ 10,600	\$ 11,455	\$ 11,829	\$ 11,455	\$ 11,505
Public safety	17,519	18,715	20,964	20,493	21,793	25,164	26,592	26,471	26,374	29,951
Transportation ^a	1,300	1,272	1,794	2,167	2,187	528	575	781	1,506	1,629
Environmental protection ^b	244	262	276	271	277	-	-	-	-	-
Economic and physical development	2,025	4,006	3,906	3,962	4,874	3,043	2,584	3,447	3,017	2,557
Human services	26,713	28,733	30,085	31,466	31,840	31,915	31,228	29,219	29,804	29,060
Culture and recreation	4,116	4,512	4,817	5,200	5,407	5,902	6,044	5,860	5,970	5,566
Education ^c	28,572	39,117	54,777	67,266	49,550	45,330	42,572	41,334	39,728	38,209
Interest on long-term debt	2,716	3,183	3,352	4,569	4,416	4,253	4,129	4,088	3,886	3,252
Total expenses	<u>92,695</u>	<u>108,915</u>	<u>130,301</u>	<u>146,320</u>	<u>130,336</u>	<u>126,735</u>	<u>125,179</u>	<u>123,029</u>	<u>121,740</u>	<u>121,729</u>
Program revenues:										
Charges for services:										
General government	1,701	1,620	2,078	1,683	1,688	1,643	1,433	1,428	1,386	1,469
Public safety	6,089	7,012	7,020	6,933	7,692	7,956	8,392	8,742	9,053	9,245
Transportation ^{a, d}	131	130	732	1,165	1,370	8	5	7	12	111
Economic and physical development	138	71	72	84	100	121	69	51	41	75
Human services	393	458	446	472	514	601	508	421	348	324
Culture and recreation	827	969	1,031	1,138	1,340	1,637	1,577	1,565	1,561	1,542
Operating grants and contributions	15,693	17,640	18,710	20,395	19,418	19,858	21,090	23,720	23,538	22,904
Capital grants and contributions ^e	990	1,378	2,184	852	5,093	8,569	4,625	2,651	2,828	1,935
Total program revenues	<u>25,962</u>	<u>29,278</u>	<u>32,273</u>	<u>32,722</u>	<u>37,215</u>	<u>40,393</u>	<u>37,699</u>	<u>38,585</u>	<u>38,767</u>	<u>37,605</u>
Total governmental activities net program expense	<u>(66,733)</u>	<u>(79,637)</u>	<u>(98,028)</u>	<u>(113,598)</u>	<u>(93,121)</u>	<u>(86,342)</u>	<u>(87,480)</u>	<u>(84,444)</u>	<u>(82,973)</u>	<u>(84,124)</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 2 (Continued)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities (Continued):										
General revenues and other changes in net assets:										
Taxes:										
Property taxes, levied for general purpose	\$ 51,705	\$ 59,014	\$ 59,015	\$ 61,500	\$ 62,304	\$ 67,922	\$ 70,230	\$ 70,357	\$ 70,655	\$ 72,245
Local option sales taxes ^f	16,729	20,699	20,598	21,513	22,489	22,913	18,580	14,500	16,523	17,168
Other taxes and licenses	1,050	1,059	1,183	1,287	1,398	1,356	1,190	1,151	1,093	1,044
Unrestricted grants and contributions	658	596	587	512	511	533	736	413	533	767
Unrestricted investment earnings	598	461	983	1,621	2,612	2,935	1,440	485	360	355
Donation of note receivable ^g	-	-	-	-	-	-	-	-	-	3,000
Unrestricted miscellaneous ^h	84	1,499	454	429	182	1,254	13	336	425	309
Special item ^a	-	-	-	-	-	(5,682)	-	-	-	-
Transfers	(170)	(169)	444	253	153	(661)	(109)	(77)	-	-
Total general revenues and other changes in net assets	<u>70,654</u>	<u>83,159</u>	<u>83,264</u>	<u>87,115</u>	<u>89,649</u>	<u>90,570</u>	<u>92,080</u>	<u>87,165</u>	<u>89,589</u>	<u>94,888</u>
Total governmental activities change in net assets	<u>\$ 3,921</u>	<u>\$ 3,522</u>	<u>\$(14,764)</u>	<u>\$(26,483)</u>	<u>\$ (3,472)</u>	<u>\$ 4,228</u>	<u>\$ 4,600</u>	<u>\$ 2,721</u>	<u>\$ 6,616</u>	<u>\$ 10,764</u>
Business-type activities:										
Expenses:										
Airport ^a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,217	\$ 1,733	\$ 1,683	\$ 1,410	\$ 1,393
Landfill	2,584	2,928	3,175	3,683	3,445	3,980	4,971	5,130	5,719	4,399
Sports Authority ^g	376	338	269	242	263	277	356	282	304	82
Total expenses	<u>2,960</u>	<u>3,266</u>	<u>3,444</u>	<u>3,925</u>	<u>3,708</u>	<u>6,474</u>	<u>7,060</u>	<u>7,095</u>	<u>7,433</u>	<u>5,874</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
TABLE 2 (Continued)
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities (Continued):										
Revenues:										
Charges for services:										
Airport ^a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,553	\$ 1,204	\$ 1,165	\$ 1,063	\$ 1,037
Landfill	2,409	2,710	3,035	3,686	3,782	3,800	5,089	5,075	5,059	4,635
Sports Authority ^g	160	123	75	75	75	118	116	128	95	-
Operating grants and contributions	205	258	207	228	203	236	370	274	274	277
Capital grants and contributions ^a	-	-	-	-	-	1,018	-	295	119	1,103
Total revenues	<u>2,774</u>	<u>3,091</u>	<u>3,317</u>	<u>3,989</u>	<u>4,060</u>	<u>6,725</u>	<u>6,779</u>	<u>6,937</u>	<u>6,610</u>	<u>7,052</u>
Total business-type activities net program expense	<u>(186)</u>	<u>(175)</u>	<u>(127)</u>	<u>64</u>	<u>352</u>	<u>251</u>	<u>(281)</u>	<u>(158)</u>	<u>(823)</u>	<u>1,178</u>
Other changes in net assets:										
Unrestricted investment earnings	96	83	157	147	286	302	301	164	170	77
Donation of note receivable ^g	-	-	-	-	-	-	-	-	-	(3,000)
Unrestricted miscellaneous ^h	3	345	-	-	2	-	-	-	-	-
Special items ^{a, g}	-	-	-	-	-	5,682	-	-	-	(2,124)
Transfers	<u>170</u>	<u>169</u>	<u>(444)</u>	<u>(253)</u>	<u>(153)</u>	<u>661</u>	<u>109</u>	<u>77</u>	<u>-</u>	<u>-</u>
Total other changes in net assets	<u>269</u>	<u>597</u>	<u>(287)</u>	<u>(106)</u>	<u>135</u>	<u>6,645</u>	<u>410</u>	<u>241</u>	<u>170</u>	<u>(5,047)</u>
Total business-type activities change in net assets	<u>\$ 83</u>	<u>\$ 422</u>	<u>\$ (414)</u>	<u>\$ (42)</u>	<u>\$ 487</u>	<u>\$ 6,896</u>	<u>\$ 129</u>	<u>\$ 83</u>	<u>\$ (653)</u>	<u>\$ (3,869)</u>
Total primary government change in net assets	<u>\$ 4,004</u>	<u>\$ 3,944</u>	<u>\$ (15,178)</u>	<u>\$ (26,525)</u>	<u>\$ (2,985)</u>	<u>\$ 11,124</u>	<u>\$ 4,729</u>	<u>\$ 2,804</u>	<u>\$ 5,963</u>	<u>\$ 6,895</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 2 (Continued)

- Notes:**
- ^a In 2008, the County began to account for operations of the Rowan County Airport as a business-type activity.
 - ^b In 2008, the County reorganized the environmental protection function and these expenditures moved to the Landfill business-type activity.
 - ^c The increases from the prior period in 2004, 2005 and 2006 were caused by increases in school capital outlay expenses.
 - ^d The increases from the prior period in 2005 and 2006 were caused by the County's takeover of fixed-based operations at the Rowan County Airport in October 2004.
 - ^e In 2005, the County received two one-time grants for park renovations. In 2007, the County began receiving lottery proceeds for school capital outlay. In 2008, the County received contributions from Rowan-Salisbury Schools for the school construction program.
 - ^f The decreases from the prior period in 2009 and 2010 were primarily due to the State's Medicaid Relief Swap Program. In 2011, the County levied an Article 46 0.25 percent local option sales tax.
 - ^g In 2012, the County sold all assets, principally the baseball stadium, in the Sports Authority Fund and closed the Fund. Residual equity, in the form of a note receivable, was donated to the General Fund.
 - ^h In 2004 and 2008, the County had gains on the sale of capital assets.

ROWAN COUNTY, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 3

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Nonspendable	\$ 39	\$ 35	\$ 152	\$ 210	\$ 195	\$ 24	\$ 50	\$ 51	\$ 49	\$ 55
Restricted ^a	7,623	11,275	10,061	11,259	14,922	11,493	8,997	9,233	9,002	12,040
Committed ^b	-	-	-	-	-	-	-	-	1,524	1,640
Assigned ^c	2,656	5,781	6,543	9,798	7,255	10,910	10,107	12,010	8,560	8,917
Unassigned	15,041	15,394	21,363	18,951	18,981	19,952	22,188	18,768	19,770	17,093
Total General Fund ^d	<u>\$ 25,359</u>	<u>\$ 32,485</u>	<u>\$ 38,119</u>	<u>\$ 40,218</u>	<u>\$ 41,353</u>	<u>\$ 42,379</u>	<u>\$ 41,342</u>	<u>\$ 40,062</u>	<u>\$ 38,905</u>	<u>\$ 39,745</u>
All other governmental funds:										
Restricted	\$ 2,251	\$ 25,301	\$ 48,703	\$ 13,041	\$ 3,017	\$ 4,015	\$ 8,249	\$ 5,384	\$ 7,247	\$ 20,293
Assigned	-	-	-	-	-	-	-	-	-	1,213
Unassigned	(744)	(3,025)	(3,135)	(3,731)	(410)	2,795	773	(1,613)	(737)	(1,364)
Total all other governmental funds ^e	<u>\$ 1,507</u>	<u>\$ 22,276</u>	<u>\$ 45,568</u>	<u>\$ 9,310</u>	<u>\$ 2,607</u>	<u>\$ 6,810</u>	<u>\$ 9,022</u>	<u>\$ 3,771</u>	<u>\$ 6,510</u>	<u>\$ 20,142</u>

Notes: ^a The amounts in this row primarily reflect stabilization by State statute.

^b In fiscal year 2011, a Resolution was adopted to commit Article 46 local option sales tax revenue for future capital projects.

^c The amounts in this row primarily reflect the appropriation of fund balance for subsequent year's expenditures.

^d The increase from the prior year in 2004 was due primarily to a greater than anticipated increase in sales tax revenues and the delay of capital expenditures until the following year.

^e The increases from the prior year in 2004, 2005 and 2012 were due to unspent debt proceeds from issuances during the periods for school capital projects.

ROWAN COUNTY, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 4

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Ad valorem taxes ^a	\$ 53,967	\$ 60,971	\$ 62,845	\$ 64,424	\$ 65,474	\$ 71,168	\$ 72,992	\$ 73,522	\$ 74,576	\$ 76,024
Sales taxes ^b	16,729	20,699	20,597	21,513	22,489	22,913	18,581	14,501	16,523	17,168
Other taxes and licenses	1,753	1,743	1,863	2,017	2,166	2,020	1,189	1,151	1,093	1,044
Intergovernmental revenues ^c	17,687	19,397	20,808	20,627	24,427	28,365	27,585	27,802	27,885	26,462
Permits and fees	1,645	1,597	1,691	1,729	1,737	1,840	1,241	1,104	1,028	1,049
Sales and services	4,141	4,610	5,066	6,283	6,813	5,860	6,015	6,305	6,245	6,205
Investment earnings	593	671	1,493	2,904	2,869	2,949	1,447	500	368	359
Miscellaneous	672	1,024	1,263	817	1,042	1,130	638	800	959	629
Total revenues	97,187	110,712	115,626	120,314	127,017	136,245	129,688	125,685	128,677	128,940
Expenditures:										
General government	8,668	8,091	8,878	10,197	8,640	9,695	10,258	10,025	10,125	9,553
Public safety	16,449	19,691	20,521	20,069	22,890	25,315	26,315	25,874	25,574	30,061
Transportation ^d	779	1,220	1,955	3,128	2,976	559	531	816	1,700	1,695
Environmental protection ^e	247	265	280	276	282	-	-	-	-	-
Economic and physical development ^f	1,260	4,101	3,793	3,746	4,310	2,488	2,025	2,880	2,395	1,873
Human services	26,805	28,880	30,081	31,693	31,876	31,925	31,021	29,594	29,859	28,908
Culture and recreation	3,991	4,478	4,923	5,337	5,708	5,534	5,534	5,318	5,498	5,187
Education	28,257	30,070	29,502	30,446	34,938	42,995	41,643	38,565	39,629	37,751
Capital outlay	5,564	11,684	27,854	37,442	14,626	3,041	6,186	7,324	3,584	5,385
Debt service:										
Principal	5,560	5,669	7,235	9,072	9,030	8,834	9,503	10,881	11,144	12,426
Interest	2,361	2,720	3,154	4,567	4,338	4,229	4,101	4,089	3,874	3,552
Total expenditures	99,941	116,869	138,176	155,973	139,614	134,615	137,117	135,366	133,382	136,391
Excess of revenues over (under) expenditures	(2,754)	(6,157)	(22,550)	(35,659)	(12,597)	1,630	(7,429)	(9,681)	(4,705)	(7,451)

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 4 (Continued)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses):										
Transfers from other funds	\$ 285	\$ 1,378	\$ 660	\$ 842	\$ 267	\$ 1,950	\$ 153	\$ 1,301	\$ 1,283	\$ 935
Transfers to other funds	(628)	(1,908)	(577)	(1,000)	(525)	(3,122)	(887)	(2,003)	(1,908)	(1,560)
General obligation bonds issued	-	31,600	45,300	-	-	-	-	-	-	12,000
Refunding bonds issued	19,800	-	6,635	-	-	-	-	-	-	17,990
Installment purchase obligations issued	-	1,059	4,430	1,129	6,587	3,800	9,254	3,825	6,785	9,700
Premium on refunding bonds issued	147	-	101	-	-	-	-	-	-	568
Premium on bonds issued	-	372	821	-	-	-	-	-	-	1,272
Payment to refunded bond escrow agent	(20,059)	-	(6,621)	-	-	-	-	-	-	(19,171)
Sale of capital assets	25	1,555	610	470	715	1,142	58	27	128	183
Total other financing sources (uses)	(430)	34,056	51,359	1,441	7,044	3,770	8,578	3,150	6,288	21,917
Net change in fund balances	<u>\$ (3,184)</u>	<u>\$ 27,899</u>	<u>\$ 28,809</u>	<u>\$ (34,218)</u>	<u>\$ (5,553)</u>	<u>\$ 5,400</u>	<u>\$ 1,149</u>	<u>\$ (6,531)</u>	<u>\$ 1,583</u>	<u>\$ 14,466</u>
Debt service as a percentage of noncapital expenditures	8.45%	7.59%	7.84%	9.00%	9.90%	10.01%	10.52%	11.59%	11.68%	12.35%

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ROWAN COUNTY, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

TABLE 4 (Continued)

- Notes:** ^a The increases from the prior period in 2004 and 2008 were caused by County-wide property tax revaluations, with only small decreases in the tax rate.
- ^b The increase from the prior period in 2004 was due to the implementation of an additional 0.5 percent local option sales tax, effective December 1, 2002. The decreases from the prior period in 2009 and 2010 were primarily due to the State's Medicaid Relief Swap Program. The increase from the prior period in 2011 was due to the implementation of a 0.25 percent local option sales tax, effective July 1, 2010.
- ^c The spike in intergovernmental revenues in 2007 and 2008 was caused by school capital expenditures, with corresponding reimbursement from the Public School Building Bond Act of 1996, lottery proceeds and/or contributions from Rowan-Salisbury Schools.
- ^d The increases from the prior period in 2005 and 2006 were caused by the County's takeover of fixed-based operations at the Rowan County Airport in October 2004. In 2008, the County began to account for Airport operations in a proprietary fund, the Airport Fund.
- ^e The decrease from the prior period in 2008 was due to a reorganization, with these expenditures moved to a proprietary fund, the Landfill Fund.
- ^f The increase from 2004 through 2007 was caused by the payment of relocation incentive grants.



Assessed Value of Taxable Property

Direct and Overlapping Property Tax Rates

Principal Property Taxpayers

Property Tax Levies and Collections

These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

Revenue Capacity

ROWAN COUNTY, NORTH CAROLINA
ASSESSED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Dollars in Thousands)

TABLE 5

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>Public Service Companies</u>	<u>Registered Motor Vehicles</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>
2003	\$ 4,619,944	\$ 2,024,187	\$ 543,035	\$ 942,113	\$ 8,129,279	0.6350
2004	5,668,861	2,383,025	387,904	931,679	9,371,469	0.6300
2005	5,668,426	2,393,180	395,393	936,453	9,393,452	0.6300
2006	5,801,871	2,490,015	388,469	1,074,579	9,754,934	0.6300
2007	5,990,124	2,522,127	404,394	1,010,736	9,927,381	0.6300
2008	7,188,716	2,769,288	413,266	1,039,009	11,410,279	0.5950
2009	7,446,830	2,908,811	430,615	998,923	11,785,179	0.5950
2010	7,467,389	2,973,641	428,932	915,907	11,785,869	0.5950
2011	7,491,082	2,987,980	496,177	890,506	11,865,745	0.5950
2012	7,142,352	2,867,574	590,771	945,811	11,546,508	0.6225

Source: Rowan County Tax Administration

Note: Property in the County is reassessed once every four years on average. Property is assessed at actual market value. Tax rates are per \$100 of assessed value.

ROWAN COUNTY, NORTH CAROLINA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

TABLE 6

	Year Taxes are Payable									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
County direct rate:										
County	\$0.6350	\$0.6300	\$0.6300	\$0.6300	\$0.6300	\$0.5950	\$0.5950	\$0.5950	\$0.5950	\$0.6225
Municipal rates:										
China Grove	0.4000	0.4000	0.4000	0.4000	0.4000	0.3800	0.3800	0.3800	0.4300	0.4700
Cleveland	0.1900	0.1900	0.1900	0.1900	0.1900	0.1900	0.2100	0.2100	0.2100	0.2500
East Spencer	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300
Faith	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100	0.4100
Granite Quarry	0.3500	0.3300	0.3300	0.3300	0.3300	0.3300	0.3300	0.3300	0.3300	0.4000
Kannapolis	0.5300	0.5300	0.4970	0.4970	0.4970	0.4970	0.4900	0.4900	0.4900	0.4900
Landis	0.2800	0.2800	0.2800	0.3200	0.3200	0.4000	0.4000	0.4000	0.4000	0.4000
Rockwell	0.2700	0.2500	0.2500	0.2500	0.2500	0.2500	0.2700	0.2700	0.2700	0.3200
Salisbury	0.6000	0.5800	0.6150	0.6150	0.6250	0.5900	0.5900	0.5900	0.5900	0.6135
Salisbury - Downtown	0.7600	0.7400	0.7750	0.7750	0.7850	0.7500	0.7500	0.7500	0.7500	0.7885
Spencer	0.5800	0.5800	0.5800	0.5800	0.5800	0.6000	0.6000	0.6000	0.6000	0.6280

Source: Rowan County Tax Administration

ROWAN COUNTY, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

TABLE 7

Taxpayer	Fiscal Year 2012			Fiscal Year 2003		
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Duke Energy Corp.	\$ 426,694,284	1	3.70%	\$ 220,803,216	1	2.72%
Southern Power Company	376,210,663	2	3.26%	-		-
Food Lion, LLC	161,056,089	3	1.39%	104,317,450	4	1.28%
Daimler Trucks North America (Freightliner)	122,754,052	4	1.06%	101,934,212	5	1.25%
Aldi, Inc.	35,341,972	5	0.31%	29,774,318	10	0.37%
Akzo Nobel, Inc.	34,470,472	6	0.30%	-		-
Alcoa Power Generating, Inc.	34,389,478	7	0.30%	-		-
Norfolk Southern Railway	32,201,372	8	0.28%	-		-
Norandal USA	30,102,549	9	0.26%	-		-
Piedmont Natural Gas	27,331,986	10	0.24%	-		-
Carolina Power & Light	-		-	165,644,562	2	2.04%
Arteva Specialties (KOSA)	-		-	165,232,482	3	2.03%
Hitachi Metals NC, Ltd.	-		-	53,024,286	6	0.65%
Draftex	-		-	42,000,000	7	0.52%
Bell South Telephone	-		-	35,300,794	8	0.43%
Parkdale Mills	-		-	34,986,486	9	0.43%
Total	<u>\$1,280,552,917</u>		<u>11.10%</u>	<u>\$ 953,017,806</u>		<u>11.72%</u>

Source: Rowan County Tax Administration

ROWAN COUNTY, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

TABLE 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2003	\$ 51,836,134	\$ (115,588)	\$ 51,720,546	\$ 49,828,949	96.34%	\$ 1,781,648	\$ 51,610,597	99.79%
2004	59,021,918	91,119	59,113,037	56,623,124	95.79%	2,394,559	59,017,683	99.84%
2005	59,262,601	20,964	59,283,565	57,592,328	97.15%	1,542,190	59,134,518	99.75%
2006	61,409,200	99,528	61,508,728	59,711,235	97.08%	1,664,060	61,375,295	99.78%
2007	62,867,564	(145,250)	62,722,314	60,938,675	97.16%	1,680,257	62,618,932	99.84%
2008	68,109,653	217,590	68,327,243	66,317,476	97.06%	1,841,498	68,158,974	99.75%
2009	70,187,340	214,871	70,402,211	67,739,278	96.22%	2,381,153	70,120,431	99.60%
2010	70,772,314	(483,389)	70,288,925	67,356,279	95.83%	2,418,602	69,774,881	99.27%
2011	70,745,237	7,404	70,752,641	67,949,214	96.04%	1,789,878	69,739,092	98.57%
2012	71,844,117	163,169	72,007,286	69,160,063	96.05%	-	69,160,063	96.05%

Source: Rowan County Tax Administration

Note: The information in this schedule relates to the County's own property tax levies, and does not include those it collects on behalf of other governments.



Ratios of Outstanding Debt by Type

Legal Debt Margin Information

These schedules contain information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Debt Capacity

ROWAN COUNTY, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

TABLE 9

Fiscal Year	General Bonded Debt	Percentage of Taxable Value of Property ^b	Per Capita ^c	Other Governmental Activities Debt		Business-type Activities Debt	Total Primary Government ^d	Percentage of Personal Income ^c	Per Capita ^c
	General Obligation Bonds ^a			Certificates of Participation	Installment Financing	Installment Financing			
2003	\$ 27,906,771	0.34%	\$ 207	\$ 4,620,000	\$ 11,321,224	\$ 556,916	\$ 44,404,911	1.34%	\$ 329
2004	57,448,983	0.61%	425	3,805,000	9,961,396	193,786	71,409,165	2.13%	528
2005	100,488,186	1.07%	749	2,940,000	11,261,420	-	114,689,606	3.28%	855
2006	95,165,202	0.98%	707	2,020,000	9,563,464	-	106,748,666	2.89%	794
2007	89,932,032	0.91%	662	1,040,000	13,355,446	-	104,327,478	2.66%	768
2008	84,745,444	0.74%	616	-	14,571,095	-	99,316,539	2.46%	722
2009	78,612,563	0.67%	567	-	20,481,694	-	99,094,257	2.32%	715
2010	72,342,914	0.61%	515	-	19,740,440	-	92,083,354	2.15%	655
2011	65,130,877	0.55%	470	-	22,652,122	-	87,782,999	2.13%	633
2012	70,030,525	0.61%	506	-	27,705,734	-	97,736,259	*	706

* Information not yet available.

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

^a The County issued \$31.6 million, \$45.3 million and \$12.0 million of general obligation bonds in 2004, 2005 and 2012, respectively.

^b See Table 5 for taxable property value data.

^c See Table 11 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

^d Includes general bonded debt, other governmental activities debt and business-type activities debt.

ROWAN COUNTY, NORTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Dollars in Thousands)

TABLE 10

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value of property	\$ 8,129,279	\$ 9,371,469	\$ 9,393,452	\$ 9,754,934	\$ 9,927,381	\$ 11,410,279	\$ 11,785,179	\$ 11,785,869	\$ 11,865,745	\$ 11,546,508
Debt limit, 8% of assessed value (statutory limitation)	650,342	749,718	751,476	780,395	794,190	912,822	942,814	942,869	949,260	923,721
Amount of debt applicable to limit:										
General obligation bonds	27,907	57,449	100,488	95,165	89,932	84,745	78,612	72,343	65,131	70,031
General obligation bonds authorized and unissued	-	45,300	-	-	-	-	-	-	12,000	-
Certificates of Participation	4,620	3,805	2,940	2,020	1,040	-	-	-	-	-
Installment Purchase Agreements	11,321	9,961	11,262	9,564	13,355	14,571	20,482	19,740	22,652	27,706
Total net debt applicable to limit	43,848	116,515	114,690	106,749	104,327	99,316	99,094	92,083	99,783	97,737
Legal debt margin	\$ 606,494	\$ 633,203	\$ 636,786	\$ 673,646	\$ 689,863	\$ 813,506	\$ 843,720	\$ 850,786	\$ 849,477	\$ 825,984
Total net debt applicable to the limit as a percentage of debt limit	6.74%	15.54%	15.26%	13.68%	13.14%	10.88%	10.51%	9.77%	10.51%	10.58%

Note: Section 159-55 of State Finance Law limits the County's outstanding general obligation long-term debts (less debt service reserves) to no more than eight percent of the assessed value of property. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.



Demographic and Economic Statistics

Principal Employers

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Demographic and Economic Information

ROWAN COUNTY, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

TABLE 11

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u> (Dollars in Thousands)	<u>Per Capita Personal Income</u>	<u>Public School Enrollment ^c</u>	<u>Unemployment Rate ^d</u>
2003	134,836	\$3,312,212	\$ 24,565	21,978	5.9%
2004	135,147	3,358,830	24,853	22,106	6.5%
2005	134,094	3,501,321	26,111	22,122	5.7%
2006	134,511	3,689,822	27,431	22,080	5.5%
2007	135,931	3,929,345	28,907	22,077	6.3%
2008	137,611	4,029,907	29,285	22,119	6.3%
2009	138,545	4,278,802	30,884	22,048	13.1%
2010	140,518	4,286,389	30,504	21,827	11.8%
2011	138,651	4,124,902	29,750	21,820	11.5%
2012	138,359	*	*	21,621	10.3%

* Information not yet available.

Notes: ^a North Carolina Data Center. Figures are estimates for the prior calendar year.

^b Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.

^c North Carolina Department of Public Instruction

^d Employment Security Commission of North Carolina

ROWAN COUNTY, NORTH CAROLINA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

TABLE 12

Employer	Fiscal Year 2012			Fiscal Year 2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rowan-Salisbury School System	3,363	1	5.29%	2,500	2	4.01%
Food Lion, LLC	3,172	2	4.99%	2,310	3	3.70%
W.G. (Bill) Hefner VA Medical Center	2,173	3	3.42%	1,140	6	1.83%
Daimler Trucks North America (Freightliner)	2,055	4	3.23%	2,502	1	4.01%
Rowan-Cabarrus Community College	1,010	5	1.59%	-		-
Catawba College	951	6	1.50%	-		-
Rowan Regional Medical Center	890	7	1.40%	1,250	4	2.00%
Rowan County	721	8	1.13%	650	8	1.04%
City of Salisbury	466	9	0.73%	-		-
Piedmont Correctional Institution - Rowan Correctional Center	450	10	0.71%	450	10	0.72%
KOSA (Invista)	-		-	1,200	5	1.92%
GDX Automotive	-		-	705	7	1.13%
Pillowtex (2 plants)	-		-	635	9	1.02%
Total	<u>15,251</u>		<u>23.99%</u>	<u>13,342</u>		<u>21.38%</u>

Source: Salisbury-Rowan Economic Development Commission and Human Resources Departments of various companies.



Full-time Equivalent County Government Employees by Function

Operating Indicators by Function

Capital Asset Statistics by Function

These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

Operating Information



FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	90	93	96	98	101	107	109	103	100	96
Public safety	265	279	295	300	313	338	339	332	329	336
Transportation	2	2	2	2	2	2	2	2	2	3
Environmental protection	3	3	3	3	3	-	-	-	-	-
Economic and physical development	10	10	11	11	10	10	11	9	9	6
Human services ^a	284	291	291	294	295	305	311	309	311	286
Culture and recreation	81	87	91	97	98	100	98	97	95	88
Airport	-	-	5	7	7	8	7	7	5	5
Landfill	28	29	29	28	28	30	31	31	31	31
Total	<u>763</u>	<u>794</u>	<u>823</u>	<u>840</u>	<u>857</u>	<u>900</u>	<u>908</u>	<u>890</u>	<u>882</u>	<u>851</u>

Source: Rowan County Information Systems

Note: A full-time employee is scheduled to work 260 days per year (approximately 365 minus two days off per week). At eight hours per day, 2,080 hours are scheduled per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

^a Effective July 1, 2011, the County entered into an agreement with Rufty-Holmes Senior Center (Center) to administer the Senior Services Program. County employees associated with the Program, including Title V employees, were transferred to the Center.

ROWAN COUNTY, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

TABLE 14

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Registered voters	80,241	79,809	82,812	84,417	82,281	86,901	89,523	89,776	89,263	92,276
Number of recorded deeds	10,189	5,797	6,107	6,650	6,369	5,584	3,931	3,964	3,841	3,741
Number of births	915	992	925	865	929	921	980	789	764	744
Number of marriages	905	869	831	818	846	802	777	727	747	795
Public safety:										
Number of arrest charges	5,445	6,125	6,408	6,146	5,525	3,832	3,675	3,412	4,418	4,844
Average daily detention population	229	202	199	223	269	275	267	277	273	272
Number of 911 calls received	129,964	123,641	127,632	130,302	135,575	138,819	98,400	100,695	91,893	95,038
Number of EMS calls answered	17,187	13,157	14,119	15,260	15,323	13,882	12,955	12,723	12,598	14,041
Transportation:										
Number of based aircraft	80	80	80	100	87	84	90	93	93	101
Number of Rowan Transit System rides	73,408	69,303	70,066	65,626	65,479	74,275	72,876	81,713	97,908	91,981
Environmental protection:										
Number of building permits issued	1,734	1,805	1,702	1,861	1,586	3,842	4,712	4,586	4,335	5,254
Economic and physical development:										
Citizens reached through:										
Agricultural Extension program attendance	15,001	21,119	19,568	13,195	14,841	20,315	15,104	12,400	10,969	12,360

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

TABLE 14 (Continued)

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Human services:										
Number of Health Department clients	21,470	21,953	21,699	20,016	18,450	20,051	19,862	18,884	17,521	17,750
Number of permitted restaurants	211	214	218	225	224	233	252	240	253	262
Average number of Medicaid recipients per month	15,295	16,057	16,251	16,909	17,419	18,661	20,217	22,172	23,247	24,838
Average number of Work First recipients per month	1,398	991	834	749	728	703	693	655	566	578
Number of Senior Services clients	5,836	4,089	5,452	8,835	5,282	5,665	4,932	5,372	5,391	6,888
Number of veterans served	6,952	3,871	4,193	4,827	5,287	5,759	6,012	8,567	9,700	10,201
Culture and recreation:										
Number of park campers	18,479	18,640	19,883	24,330	24,068	26,624	23,964	22,395	23,641	23,852
Library attendance	242,237	248,355	296,980	324,964	359,093	394,943	438,857	398,685	393,802	383,510
Library program attendance	35,104	34,237	33,504	33,753	40,609	57,482	87,008	62,304	46,808	33,138
Library internet users	3,879	66,692	76,212	77,295	104,196	113,080	117,813	106,722	105,174	105,556
Landfill:										
Average daily landfill trips	120	139	155	170	175	154	161	155	146	137
Average daily tonnage dumped	256	319	386	481	491	392	478	467	463	422

Sources: Various County departments.

ROWAN COUNTY, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

TABLE 15

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Number of patrol cars	96	98	101	105	105	109	109	109	106	113
Detention center capacity ^a	162	162	162	162	162	162	162	162	208	208
Number of EMS stations	4	5	5	5	5	5	6	6	6	6
Transportation:										
Airport acreage ^b	540	540	540	540	540	527	527	527	527	542
Number of airport hangars	52	53	53	81	81	81	81	81	81	81
Number of Rowan Transit System vans	31	27	30	30	28	30	28	29	29	28
Economic and physical development:										
Industrial parks acreage	534	534	479	415	415	401	368	366	366	366
Culture and recreation:										
Number of County parks	4	4	4	5	5	5	5	5	5	5
Parks acreage	609	609	609	691	696	696	696	696	696	696
Number of camp sites	80	78	78	78	78	78	78	78	78	78
Number of library branches	3	3	3	3	3	3	3	3	3	3
Number of library media	210,057	213,869	240,667	250,765	260,753	281,238	291,628	291,839	289,007	286,209
Landfill:										
Landfill acreage	375	375	375	375	375	375	375	375	375	375
Convenience sites	9	9	9	8	8	8	8	8	8	8

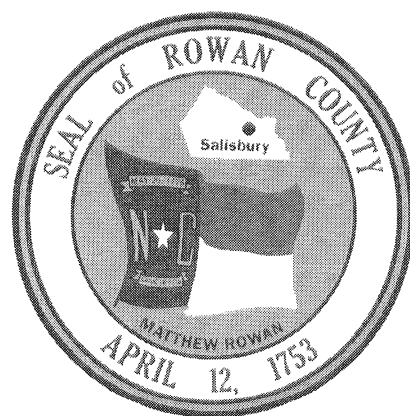
Sources: Various County departments.

Notes: No capital asset indicators are available for the general government function.

^a A new detention center pod was completed and opened in April 2011.

^b Purchased additional 15.111 acres of land at Airport.

COMPLIANCE SECTION



MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of Commissioners
Rowan County, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of and for the year ended June 30, 2012, not presented here, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Rowan County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rowan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rowan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rowan County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Martin Starnes & Associates CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 19, 2012

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditors' Report

To the Board of Commissioners
Rowan County, North Carolina

Compliance

We have audited Rowan County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Rowan County's major federal programs for the year ended June 30, 2012. Rowan County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rowan County's management. Our responsibility is to express an opinion on Rowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rowan County's compliance with those requirements.

In our opinion, Rowan County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Rowan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rowan County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rowan County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal and State Awards

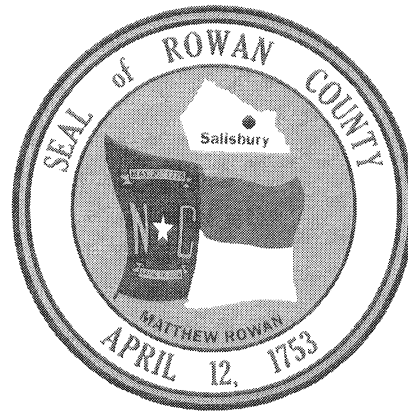
We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Rowan County, North Carolina's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 19, 2012



MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditors' Report

To the Board of Commissioners
Rowan County, North Carolina

Compliance

We have audited Rowan County' compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Rowan County's major State programs for the year ended June 30, 2012. Rowan County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of Rowan County's management. Our responsibility is to express an opinion on Rowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Rowan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rowan County's compliance with those requirements.

In our opinion, Rowan County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Rowan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered Rowan County's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rowan County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Rowan County, North Carolina's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 19, 2012



ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-1

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	No
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	No
Type of auditors' report issued on compliance for major federal programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major federal programs:	
<u>Program Name</u>	<u>CFDA #</u>
Medicaid Cluster	93.778, 93.720, 93.775, 93.777
Aging Cluster	93.044, 93.045, 93.053, 93.705, 93.707
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$3,000,000</u>
Auditee qualified as low-risk auditee?	No

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-1 (Continued)

State Awards

Internal control over major State programs:

- Material weakness identified? No
- Significant deficiency identified? No

Type of auditors' report issued on compliance for major State programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

Program Name
Medicaid Cluster
Foster Care and Adoption Cluster
State County Special Assistance for Adults
Child Welfare Services Grant Adoption Subsidy
Public School Building Capital Fund
State Foster Home
Aging Cluster

2. Findings Related to the Audit of the Basic Financial Statements

None reported.

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported.

4. Findings and Questioned Costs Related to the Audit of State Awards

None reported.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2012

None reported.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL AWARDS					
CASH PROGRAMS					
U.S. DEPARTMENT OF AGRICULTURE					
Supplemental Nutrition Assistance Program:					
Passed-through N.C. Department of Health and Human Services:					
Division of Social Services:					
Supplemental Nutrition Assistance Program Cluster (Note 3):					
Administration					
Supplemental Nutrition Assistance Program	10.561	XXXX	<u>\$ 836,939</u>	<u>\$ (563)</u>	<u>\$ 813,139</u>
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	XXXX	621,143	-	-
AGRI-SFP Food Program Meal	10.559	XXXX	2,771	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	XXXX	<u>2,520,219</u>	<u>-</u>	<u>-</u>
Total Division of Public Health			<u>3,144,133</u>	<u>-</u>	<u>-</u>
Passed-through N.C. Department of Agriculture:					
Emergency Food Assistance Cluster (Note 3):					
Emergency Food Assistance Program - Administrative Cost	10.568	XXXX	2,198	-	-
Emergency Food Assistance Program - Food Commodities	10.569	XXXX	<u>54,340</u>	<u>-</u>	<u>-</u>
Total Emergency Food Assistance Cluster			<u>56,538</u>	<u>-</u>	<u>-</u>
Passed-through Centralina Council of Governments:					
Nutrition Services for the Elderly	10.570	XXXX	<u>36,751</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>4,074,361</u>	<u>(563)</u>	<u>813,139</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF JUSTICE					
Bureau of Justice Assistance:					
SCAAP Grant		XXXX	\$ 14,874	\$ -	\$ -
Bullet Proof Vest Program		XXXX	6,357	-	6,357
Edward Bryne Memorial Justice Assistance Grant	16.738	XXXX	18,515	-	-
Passed-through N.C. Department of Crime Control and Public Safety:					
ARRA - Bryne/Justice Assistance Grant:					
Rowan County Youth Services:					
Gang Assessment	16.579	XXXX	101,064	-	-
Times Two Mentoring	16.579	XXXX	15,664	-	-
Community Oriented Policing Services:					
Secure Our Schools	16.200	XXXX	16,644	-	16,644
Total U.S. Department of Justice			173,118	-	23,001
U.S. DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration:					
Passed-through N.C. Department of Transportation:					
State Block Grant Program	20.106	XXXX	1,103,426	-	122,603
Federal Highway Administration:					
Passed-through N.C. Department of Transportation:					
Congestion Mitigation and Air Quality	20.205-1	XXXX	35,580	-	8,894
CTP Capital Grant	20.509	XXXX	157,332	19,666	19,666
CTP Administration Grant	20.509	XXXX	118,068	7,377	22,138
Elderly and Disabled Operating Grant	20.513	XXXX	83,367	-	83,367
Job Access Commute Program Operating Grant	20.516	XXXX	92,577	-	92,577
Total Federal Highway Administration			486,924	27,043	226,642
Total U.S. Department of Transportation			1,590,350	27,043	349,245

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Administration on Aging:					
Passed-through Centralina Council of Governments:					
Aging Cluster (Note 3):					
Special Programs for the Aging - Title III-B					
Grants for Supportive Services and Senior Centers	93.044	XXXX	\$ 129,017	\$ 339,568	\$ 52,065
Special Programs for the Aging - Title III-C					
Nutrition Services	93.045	XXXX	313,228	18,441	36,852
Total Aging Cluster			442,245	358,009	88,917
Centers for Disease Control and Prevention:					
Passed through N.C. Department of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	49,654	-	-
Prevention Investigations and Technical Assistance	93.283	XXXX	4,114	-	-
Total Division of Public Health			53,768	-	-
Immunization Cluster (Note 3):					
Immunization Program / Aid to County Funding	93.268	XXXX	43,107	-	-
Administration for Children and Families:					
Passed-through N.C. Department of Health and Human Services:					
Division of Social Services:					
Foster Care and Adoption Cluster (Note 3):					
Title IV-E Foster Care	93.658	XXXX	1,427,634	308,851	803,343
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	625,981	168,416	168,416
Adoption / Foster Care	93.658	XXXX	349,863	152,821	-
Total Foster Care and Adoption Cluster			2,403,478	630,088	971,759

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Administration for Children and Families (Continued):					
Passed-through N.C. Department of Health and Human Services (Continued):					
Division of Social Services (Continued):					
Administration:					
Temporary Assistance for Needy Families (TANF)	93.558	XXXX	\$ 751,169	\$ -	\$ 1,655,767
Child Support Enforcement	93.563	XXXX	1,236,658	(208)	636,959
Family Preservation	93.556	XXXX	11,066	-	-
Crisis Intervention	93.568	XXXX	1,101,483	-	-
Permanency Planning	93.645	XXXX	25,814	7,774	11,196
SSBG - Adult Day Care	93.667	XXXX	588,880	53,864	154,491
Independent Living Grant	93.674	XXXX	74,679	13,455	-
Direct Benefit Payments:					
TANF - Direct Benefit Payments	93.558	XXXX	786,922	(130)	281
Special Children Adoption	93.558	XXXX	12,000	-	-
Energy Assistance - Direct Benefit	93.568	XXXX	92	-	-
Total Division of Social Services			<u>6,992,241</u>	<u>704,843</u>	<u>3,430,453</u>
Division of Public Health:					
TANF	93.558	XXXX	<u>15,857</u>	<u>-</u>	<u>-</u>
Subsidized Child Care Cluster (Note 3):					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Development Fund - Administration	93.596	XXXX	184,318	-	-
Division of Child Development:					
Child Care Development Fund - Discretionary	93.575		1,203,080	-	-
Child Care Development Fund - Mandatory	93.596		537,432	-	-
Child Care Development Fund - Match	93.596		270,400	6,899	-
Total Child Care Fund Cluster			<u>2,195,230</u>	<u>6,899</u>	<u>-</u>

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Administration for Children and Families (Continued):					
Passed-through N.C. Department of Health and Human Services (Continued):					
Subsidized Child Care Cluster (Note 3) (Continued):					
Social Services Block Grant	93.667		\$ -	\$ 12,500	\$ -
TANF	93.558		715,580	-	-
Foster Care Title IV-E	93.658		32,363	-	-
State Appropriations		XXXX	-	62,206	-
TANF - MOE		XXXX	-	115,208	-
Total Subsidized Child Care Cluster			<u>2,943,173</u>	<u>196,813</u>	<u>-</u>
Health Resources and Service Administration:					
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	XXXX	<u>89,399</u>	<u>167,057</u>	<u>-</u>
Office of Population Affairs:					
Passed-through N.C. Department of Health and Human Services:					
Office of Population Affairs:					
Family Planning Services	93.217	XXXX	<u>64,210</u>	<u>-</u>	<u>-</u>
Centers for Medicare and Medicaid Services:					
Passed-through N.C. Department of Health and Human Services:					
Medicaid Cluster (Note 3):					
Division of Public Health:					
Administration:					
Medical Assistance Program	93.778	XXXX	135,121	52,121	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	1,475,526	62,164	1,396,880

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Centers for Medicare and Medicaid Services (Continued):					
Passed-through N.C. Department of Health and Human Services (Continued):					
Medicaid Cluster (Note 3) (Continued):					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	\$ 105,060,676	\$ 61,440,470	\$ 20,131
Total Medicaid Cluster			106,671,323	61,554,755	1,417,011
Health Choice	93.767	XXXX	41,709	6,135	7,317
Total U.S. Department of Health and Human Services			117,357,032	62,987,612	4,943,698
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed-through N.C. Department of Crime Control and Public Safety:					
Division of Emergency Management:					
Homeland Security Program	97.004	XXXX	12,035	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Division of Community Planning and Development:					
HOME Investment Partnerships Program	14.239	XXXX	110,520	-	-
Single Family Rehabilitation Program	14.239	XXXX	1,500	-	-
Total U.S. Department of Housing and Urban Development			112,020	-	-
TOTAL FEDERAL AWARDS			123,318,916	63,014,092	6,129,083

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
STATE GRANTS					
CASH PROGRAMS					
N.C. DEPARTMENT OF CULTURAL RESOURCES					
Division of State Library:					
State Aid to Libraries		XXXX	\$ -	\$ 172,589	\$ 2,414,327
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Division of Public Health:					
Food and Lodging Fees		XXXX	-	10,957	-
Environmental Health		XXXX	-	4,000	-
Lead Prevention Aid to County Funds		XXXX	-	1,624	-
General Aid to Counties		XXXX	-	146,247	-
General Communicable Disease Control		XXXX	-	11,271	-
Risk Reduction / Health Promotion		XXXX	-	6,151	-
Maternal Health (HMHC)		XXXX	-	36,472	-
WHSF		XXXX	-	19,686	-
Tuberculosis		XXXX	-	17,128	-
TB Medical Service		XXXX	-	1,282	-
Total Division of Public Health			-	254,818	-
Division of Social Services:					
Administration:					
Energy Assistance Private Grant		XXXX	-	3,086	-
Direct Benefit Payments:					
State / County Special Assistance for Adults - Direct Benefit Payments		XXXX	-	1,022,457	1,022,457
Child Welfare Services - State Grant:					
Adoption Subsidy - Direct Benefit Payments		XXXX	-	426,308	116,963

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ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Division of Social Services (Continued):					
Direct Benefit Payments (Continued):					
Foster Care at Risk		XXXX	\$ -	\$ 36,820	\$ 7,435
Program Integrity Plan		XXXX	-	4,843	-
State Foster Home		XXXX	-	459,087	449,480
Total Division of Social Services			-	1,952,601	1,596,335
Total N.C. Department of Health and Human Services			-	2,207,419	1,596,335
N.C. DEPARTMENT OF ENVIRONMENTAL AND NATURAL RESOURCES					
Division of Waste Management:					
White Goods Management Program		XXXX	-	43,325	-
Scrap Tire Program		XXXX	-	170,334	-
Solid Waste Disposal		XXXX	-	63,300	-
Total Division of Waste Management			-	276,959	-
Soil and Water Grant		XXXX	-	22,950	22,950
Soil and Water Conservation		XXXX	-	3,960	-
Total N.C. Department of Environmental and Natural Resources			-	303,869	22,950
N.C. DIVISION OF VETERANS AFFAIRS					
Veterans Service Grant		XXXX	-	1,452	48,966
N.C. DEPARTMENT OF PUBLIC INSTRUCTION					
Public School Building Capital Fund:					
Lottery Proceeds		XXXX	-	1,700,000	-
N.C. DIVISION OF MEDICAL ASSISTANCE					
Southern Piedmont Community Care Network		XXXX	-	37,828	-

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ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
N.C. DEPARTMENT OF TRANSPORTATION					
Rural Operating Assistance Program:					
WorkFirst / Employment Transportation		DOT-16CL	\$ -	\$ 35,561	\$ -
Rural General Public Grant		DOT-16CL	-	112,998	12,555
Elderly-Disabled Transportation Assistance Program		DOT-16CL	-	104,378	-
Total Rural Operating Assistance Program			-	252,937	12,555
CTP SC Advanced Technology Program		DOT-10	-	45,296	5,033
CTP SF Capital Grant		DOT-14	-	8,400	933
Total N.C. Department of Transportation			-	306,633	18,521
N.C. DEPARTMENT OF CORRECTIONS					
Criminal Justice Partnership Program		XXXX	-	124,906	-
N.C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY					
Division of Emergency Management:					
Emergency Management Program Grant		XXXX	-	49,636	-
N.C. DEPARTMENT OF TRANSPORTATION					
Urgent Repair Housing Projects		XXXX	-	30,185	-
N.C. HEALTH AND WELLNESS TRUST FUND COMMISSION					
Teen Tobacco Use Prevention and Cessation		XXXX	-	90,307	-
N.C. PARTNERSHIP FOR CHILDREN					
Passed-through Rowan Partnership for Children:					
Health Link		XXXX	-	53,430	-

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
N.C. PARTNERSHIP FOR CHILDREN (Continued)					
Passed-through Rowan Partnership for Children (Continued):					
Smile Savers		XXXX	\$ -	\$ 60,253	\$ -
Total N.C. Partnership for Children			-	113,683	-
N.C. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION					
Juvenile Crime Prevention Programs:					
Adolescent and Family Enrichment Council:					
Strengthening Families		XXXX	-	69,884	-
Parent Advocate		XXXX	-	2,743	-
Rowan County Youth Services Bureau:					
Juvenile Restitution Program		XXXX	-	65,469	-
Parent Education		XXXX	-	88,255	-
Psychological Services for Juvenile Court		XXXX	-	3,813	-
Teen Court		XXXX	-	28,691	-
Trauma Focused Cognitive Behavioral Therapy - Level II		XXXX	-	60,164	-
Wraparound Rowan		XXXX	-	95,403	-
Rowan County:					
JCPC Certification		XXXX	-	3,637	-
Genesis Counseling Services:					
Juvenile Sex Offender Evaluation and Counseling		XXXX	-	15,710	-
Total N.C. Department of Juvenile Justice and Delinquency Prevention			-	433,769	-
TOTAL STATE AWARDS			-	5,572,276	4,101,099
TOTAL FEDERAL AND STATE AWARDS			\$ 123,318,916	\$ 68,586,368	\$ 10,230,182

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
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Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Rowan County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on the schedule.

2. Subrecipients

Of the federal and State expenditures presented in the schedule, Rowan County provided State awards to subrecipients as follows:

**N.C. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY
PREVENTION**

Adolescent and Family Enrichment Council:

Nurturing Program	XXXX	\$ -	\$ 69,884	\$ -
Parent Advocate	XXXX	-	2,743	-

Rowan County Youth Services Bureau:

Juvenile Restitution Program	XXXX	-	65,469	-
Parent Education	XXXX	-	88,255	-
Psychological Services for Juvenile Court	XXXX	-	3,813	-
Teen Court	XXXX	-	28,691	-
Trauma Focused Cognitive Behavioral Therapy - Level II	XXXX	-	60,164	-
Wraparound Rowan	XXXX	-	95,403	-

Genesis Counseling Services:

Juvenile Sex Offender Evaluation and Counseling	XXXX	-	15,710	-
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Total N.C. Department of Juvenile Justice and Delinquency
Prevention

\$ -	\$ 430,132	\$ -
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Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2012

EXHIBIT D-3 (Continued)

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Notes to the Schedule of Expenditures of Federal and State Awards (Continued):					
2. Subrecipients (Continued)					
U.S. DEPARTMENT OF JUSTICE					
Passed-through N.C. Department of Crime Control and Public Safety:					
ARRA - Byrne/Justice Assistance Grant:					
Rowan County Youth Services:					
Gang Assessment	16.579	XXXX	\$ 101,064	\$ -	\$ -
Times Two Mentoring	16.579	XXXX	15,664	-	-
Total U.S. Department of Justice			<u>\$ 116,728</u>	<u>\$ -</u>	<u>\$ -</u>

3. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for State audit requirement purposes:

Supplemental Nutrition Assistance Program
Emergency Food Assistance
Aging
Immunization
Foster Care and Adoption
Subsidized Child Care
Medicaid

